

## Spectrum Asset Management / Principal

### Adviser Select

### Preferred Securities

### Investment Philosophy

Spectrum Preferred Securities is managed to an intermediate duration, and is predominantly

comprised of \$25 Par Preferred Securities that trade on the NYSE. Spectrum feels that because retail

investors are the primary owners of \$25 Par Preferred Securities, there is more inefficiency, and more

trading opportunities that can be exploited than are usually found with other fixed income sectors that

are owned primarily by institutional investors. Spectrum's strategy provides yield enhancement over

traditional fixed income portfolios without subjecting the portfolio to increased credit risk.

### Investment Selection Process

Spectrum invests in issues that offer high quality, risk-adjusted yield premiums and

compensation for any subordination, liquidity, maturity, and call differences. Only issuers whose

senior unsecured debt is rated BBB-, or above by at least two credit rating agencies are

included in Spectrum's investment universe. Key drivers in the security selection process are

credit strength and yield. For a security to be considered for investment, the credit status of the

issuer must be improving or stable. The security yield must be attractive, given the credit rating

and credit trend relative to other preferred securities. Sell decisions can be either a function of

a credit development or recognition that the preferred yield has become "rich" relative to the

debt level. Approximately 30-40% of the portfolio will qualify for the 15% tax rate on dividends.

### Firm/Product Info

#### Date Founded

#### Firm Assets (\$B)

#### Firm Employee Ownership (%)

#### Inception Date

#### Vehicle Assets (\$B)

### Analyst Commentary

Spectrum underperformed the Bank of America Merrill Lynch Preferred Stock Fixed Rate Index

(P0P1) in Q1 (+1.0% vs. +1.6%). During the quarter, relative underperformance came from a

variety of areas, including Domestic Banking, Foreign Banking, Industrial, REIT Preferreds, and

Utilities. From a security selection standpoint, Banking names that were relative detractors

included Wells Fargo, JP Morgan, UBS, and HSBC. Additional detractors

included General Electric, Public Storage, Aegon, Partner Re, and the Southern Company. Conversely, sectors that generated relative gains for the Strategy included Life Insurance, Media, and Foreign Reinsurance. Among the names that provided positive contributions to return were Royal Bank of Canada, Met Life, BofA, US Bank, Renaissance Re, American Express, and Capital One. The Manager continues to believe that due to Preferreds' subordinated nature and subsequent yield premium, they offer an attractive opportunity versus high-yield, corporate, and U.S. Treasuries. This Strategy seeks to maintain a target allocation to qualified dividend investments of 30-40%. Past performance is no guarantee of future results.

1/1/1987

17.9

—

3/31/1989

1.3

Asset Allocation

US Equity %

Non-US Equity %

Pref Stock %

Cash %

14.07

3.85

75.91

6.17

Annualized Returns (%)

0.0

0.8

1.5

2.3

3.0

3.8

4.5

5.3

6.0

6.8

7.5

8.3

YTD

Spectrum Pfds (gross)

Spectrum Pfds (gross)

Spectrum Pfds (net)

BofAML Prfds Fixed Rate

Spectrum Pfds (gross)

Spectrum Pfds (net)

BofAML Prfds Fixed Rate

Manager vs Index

Top Quartile

3.8

4.5

5.3

6.0

6.8

7.5

8.3

0.0

0.8

1.5

2.3

3.0

YTD

Spectrum Pfds (net)

1 Year

3 Years

Spectrum Pfds (gross)

5 Years

10 Years

BofAML Prfds Fixed Rate

Performance is shown both gross and net of fees. Net of fee returns reflect deduction of the maximum 1.4% annual fee. Data frequency is monthly and all performance data and analysis is for the period ending as of current quarter end unless otherwise indicated.

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Quarter

1.0

0.6

1.6

2015

9.1

7.6

7.6

2nd Quartile

1 Year

3 Years

Spectrum Pfds (net)

YTD

1.0

0.6

1.6

2014

16.5

15.4

14.9

1 Year

6.1

5.7  
4.7  
2013  
-3.9  
-3.7  
3rd Quartile  
-5.3  
5 Years  
3 Years  
6.1  
5.7  
4.7  
2012  
17.0  
13.6  
15.4  
10 Years  
BofAML Prfds Fixed Rate  
5 Years 10 Years  
7.5  
6.8  
6.0  
2011  
3.1  
4.1  
Bottom Quartile  
1.7  
5.5  
3.3  
4.1  
2010  
15.2  
13.7  
13.6  
As of 1Q 2016  
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Total Annualized Return (%)  
Return

Spectrum Asset Management / Principal  
Adviser Select  
Preferred Securities  
Statistical Analysis (5-Years) (%)  
Time Period: 4/1/2011 to 3/31/2016  
Alpha  
Spectrum Pfds (gross)  
Spectrum Pfds (net)  
BofAML Prfds Fixed Rate  
Risk/Return Analysis (%)  
Time Period: 4/1/2011 to 3/31/2016  
0.0  
2.0  
4.0  
6.0  
8.0  
10.0  
Std Dev  
0.0  
1.7  
Spectrum Pfds (gross)  
3.3  
5.0  
Spectrum Pfds (net)  
Portfolio Characteristics  
Inception Date  
Product AUM (\$MM)  
# of Holdings (Long)  
Average Credit Quality  
Portfolio Turnover (%)  
Average Eff Duration  
Modified Duration  
Current Yield at NAV %  
Yield to Maturity  
Average Eff Maturity  
6.7  
8.3  
10.0  
BofAML Prfds Fixed Rate  
0.00  
0.21  
-1.19  
Beta  
1.08  
1.08  
1.00  
R2  
97.12  
97.12  
100.00  
Std Dev

5.26  
4.80  
5.26  
Tracking  
Error  
0.00  
0.97  
0.97  
Up-Down Capture (%)  
Time Period: 4/1/2011 to 3/31/2016  
0.0  
20.0  
40.0  
60.0  
80.0  
100.0  
120.0  
140.0  
Up Capture Ratio  
62.0  
72.5  
Spectrum Pfd (gross)  
Style Box  
3/31/1989  
1,289  
156  
BB  
13  
3.28  
3.14  
—  
5.43  
—  
Ltd Mod Ext  
83.0  
93.5 104.0 114.5  
Spectrum Pfd (net)  
Portfolio Date: 3/31/2016  
Morningstar Fixed Income Style Box™  
125.0  
BofAML Prfd Fixed Rate  
Sharpe  
Ratio  
1.40  
1.38  
1.13  
Sortino  
Ratio  
2.76  
2.66  
2.09

Information

Ratio  
(arith)

0.78

-0.76

-

Best  
Quarter

8.29

7.70

7.91

Worst  
Quarter

-4.27

-4.07

-4.61

Returns-Based Style Map

Time Period: 4/1/2011 to 3/31/2016

Max

Drawdown

-7.92

-7.48

-8.78

Batting  
Average

65.00

41.67

100.00

Excess

Return

0.00

0.76

-0.73

As of 1Q 2016

BofAML US Corps

10+ Yr TR USD

BofAML US Corps

1-10 Yr TR USD

BofAML US

Treasuries 10+Y TR

USD

BofAML US

Treasuries 1-10 Yr

TR USD

Spectrum Pfds (gross)

BofAML Prfds Fixed Rate

Fixed-Income Stats

Average Eff Duration

Average Eff Maturity

Average Coupon

Average Price

Average Credit Quality

3.3

-  
-  
-

BB

Top Holdings (%)

Portfolio Date: 3/31/2016

Pnc Finl Svcs Grp Pfd

Hsbc Hldgs Pfd

Schwab Charles Corp New

Goldman Sachs Grp Pfd

Royal Bank of Scotland Group (The) PLC ADR

Bk Amer

Citigroup Pfd

Cap One Finl Pfd

Bk Amer Pfd

Bb&T Pfd

2.54

2.27

2.27

2.27

1.71

1.67

1.65

1.64

1.63

1.62

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High Med Low

Return

Down Capture Ratio

Spectrum Asset Management / Principal  
Adviser Select  
Preferred Securities  
Credit Quality Exposure  
Portfolio Date: 3/31/2016

%  
AA  
A  
BBB  
BB  
B  
Not Rated

Total

3.0

2.5

55.8

27.2

4.4

7.0

100.0

Industrials

Financials

Telecom Services

Utilities

Total

Sector Exposure

Portfolio Date: 3/31/2016

%  
5.5  
86.8  
6.4  
1.3  
100.0

0-1

1-2

2-3

3-4

4-5

5-6

6-7

7-8

8-9

11-12

Total

Coupon

Portfolio Date: 3/31/2016

%  
56.1  
17.9  
14.7  
11.3

0.0  
0.0  
0.0  
0.0  
0.0  
0.0  
100.0

As of 1Q 2016

Key Investment Personnel

Name:

Title:

Joined Firm:

Education:

Prior Experience:

Name:

Title:

Joined Firm:

Education:

Prior Experience:

Maturity

Mark Lieb

Executive Director/Chief Financial Officer

1987

MBA, University of Hartford

Founder- DBL Preferred Management

Phillip Jacoby

Managing Director/Senior Portfolio Manager/CIO

1995

BA, Boston College

Senior VP- USL Capital Corporation

1-3 Yr

3-5 Yr

5-7 Yr

7-10 Yr

10-15 Yr

15-20 Yr

20-30 Yr

30+ Yr

Total

Portfolio Date: 3/31/2016

%

12.3

0.0

32.5

29.2

14.6

0.0

11.3

0.0

100.0

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deduction of the maximum 1.4% annual fee. Data frequency is monthly and all performance data and analysis is for the period ending as of current quarter end unless otherwise indicated.  
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As of 1Q 2016

**Alpha** - Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. A positive Alpha figure indicates the portfolio has performed better than its beta would predict. In contrast, a negative Alpha indicates the portfolio has underperformed, given the expectations established by beta. Alpha is calculated by taking the excess average monthly return of the investment over the risk free rate and subtracting beta times the excess average monthly return of the benchmark over the risk free rate.

**Beta** - Beta is a measure of systematic risk with respect to a benchmark. Systematic risk is the tendency of the value of the fund and the value of benchmark to move together. Beta measures the sensitivity of the fund's excess return (total return minus the risk-free return) with respect to the benchmark's excess return that results from their systematic co-movement. It is the ratio of what the excess return of

the fund would be to the excess return of the benchmark if there were no fund-specific sources of return. If beta is greater than one, movements in value of the fund that are associated with movements in the value of the benchmark tend to be amplified. If beta is one, they tend to be the same, and if beta is less than one, they tend to be dampened. If such movements tend to be in opposite directions, beta is negative. Beta is measured as the slope of the regression of the excess return on the fund as the dependent variable and the excess return on the benchmark as the independent variable.

The beta of the market is 1.00 by definition. Morningstar calculates beta by comparing a portfolio's excess return over T-bills to the benchmark's excess return over T-bills, so a beta of 1.10 shows that the portfolio has performed 10% better than its benchmark in up markets and 10% worse in down markets, assuming all other factors remain constant.

Conversely, a beta of 0.85 indicates that the portfolio's excess return is expected to perform 15% worse than the benchmark's excess return during up markets and 15% better during down markets.

**Excess Return** - This is a measure of an investment's return in excess of a benchmark.

**R2** - R-Squared reflects the percentage of a portfolio's movements that can be explained by movements in its benchmark.

**Std Dev** - Standard Deviation is a statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility. Standard deviation is most appropriate for measuring risk if it is for a fund that is an investor's only holding. The figure can not be combined for more than one fund because the

standard deviation for a portfolio of multiple funds is a function of not only the individual standard deviations, but also of the degree of correlation among the funds' returns. Morningstar computes standard deviation using the trailing monthly total returns for the appropriate time period. All of the monthly standard deviations are then annualized.

Sharpe Ratio - Sharpe Ratio is a risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk.

The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe ratio is calculated for the past 36-month period by dividing a fund's annualized excess returns by the standard deviation of a fund's annualized excess returns. Since this ratio uses standard deviation as its risk measure, it is most appropriately applied when analyzing a fund that is an investor's sole holding.

Sortino Ratio - Sortino Ratio is similar to Sharpe Ratio except it uses downside risk (Downside Deviation) in the denominator. It was developed in early 1980's by Frank Sortino. Since upside variability is not necessarily a bad thing, Sortino ratio is sometimes more preferable than Sharpe ratio.

Information Ratio - Information ratio is a risk-adjusted performance measure. The information ratio is a special version of the Sharpe Ratio in that the benchmark doesn't have to be the risk-free rate. The Israelson method is an adjustment of the Information Ratio to take into account the inconsistency of the IR when excess returns are negative.

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Adviser Select  
Preferred Securities  
As of 1Q 2016

Performance Notes: Historical performance data relating to Spectrum Asset Management is provided by said manager. We do not guarantee its accuracy or completeness, and as such data may change without notice. Further information may be obtained directly from Spectrum Asset Management. Other portfolio metrics are calculated by Deutsche Bank based on information we deem reliable and accurate. Results reflect realized and unrealized appreciation and the reinvestment of dividend and interest income. Taxes have not been deducted. Performance results are shown both "gross" (before the deduction of Adviser Select or investment advisory fees) and for illustration purposes, "net" of the maximum 1.4% program fee, deducted daily within Morningstar. In practice, the fee will be deducted quarterly by Deutsche Bank. The compound impact on performance of the deduction of fees is determined by the account size, the amount of the fee, the time period and the gross performance. Investment advisory fees are described in Part II of the Manager's Form ADV. Performance results will vary based upon the period measured. Past performance is no guarantee of future results. Spectrum Asset Management's SMA Preferred Securities Composite contains fully discretionary SMA preferred securities accounts. The composite may consist of accounts from more than one SMA sponsor platform. Creation date of Spectrum's SMA preferred securities composite is April 1, 2006. Performance prior to April 1, 2006 reflects Spectrum's Intermediate Duration Preferred Securities institutional composite and does not reflect any actual SMA portfolios. Performance April 1, 2006 and thereafter reflects Spectrum's SMA Preferred Securities composite. Performance for time periods of one-year and greater are generated by geometrically linking Spectrum's SMA Preferred Securities composite (effective April 1, 2006) and Spectrum's Intermediate Duration institutional composite. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the representative wrap sponsor. The SMA Preferred Securities composite consists of portfolios that invest in listed securities, primarily \$25 par hybrid preferred securities. The historical Spectrum Intermediate Duration institutional composite consists of portfolios that invest in various securities including \$25 par securities, \$1,000 par preferred securities, corporate bonds, Treasuries, government securities, and potentially other securities. The historical institutional composite consists of various types of accounts including individually managed institutional accounts, closed-end mutual funds, and open-end mutual funds. The historical institutional portfolios may have benefited from recurrent trading practices, up to and including intraday trading. The SMA portfolios trade on a less frequent basis. Disparity in trading practices between institutional portfolios and SMA portfolios may contribute to a divergence of performance results. As of Q4 2015, the composite consisted of 73 accounts totaling \$2.3B and represented 13% of the product assets under management. No balanced portfolio segments are included in this

composite. Leverage is not used in this composite. The minimum account size for inclusion in the SMA composite is \$100,000.

The Spectrum Asset Management SMA Preferred Securities Composite contains fully discretionary SMA preferred securities accounts. The Spectrum's SMA preferred securities composite was created

March, 2013 and is comprised primarily of portfolios of \$25 par preferred securities. The composite may consist of accounts from more than one SMA sponsor platform. Additional information on calculation of composite performance data is available on request. Actual investment advisory fees charged to clients may vary.

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The BofA Merrill Lynch Fixed Rate Preferred Securities Index tracks the performance of fixed rate US dollar denominated preferred securities issued in the US domestic market.

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