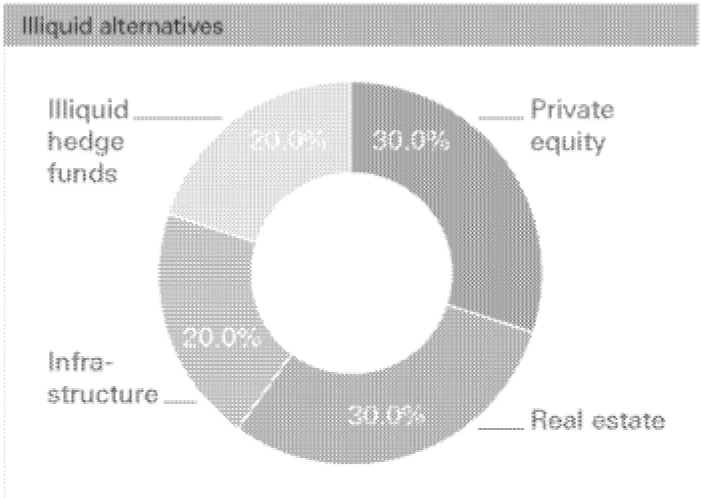
Portfolio

Our view of non-traditional asset classes

Alternatives portfolios

Due to their distinct characteristics, we take a differentiated look at selected liquid and illiquid alternative investments.



Liquid alternatives

Commodity Trading Advisors (CTAs)

Geopolitical concerns and worries about the ripple effects from changing U.S. monetary policy could make life difficult for systematic managers with longer-term holdings. For them, capturing directional trends across portfolios will be challenging given changing relationships between asset classes and they could suffer from spikes in volatility. By contrast, the smaller number of managers running shorter-term models (with one-day to one-week holding periods) could well benefit from such market gyrations. Some of these managers have already seen a notable pickup in performance this year.

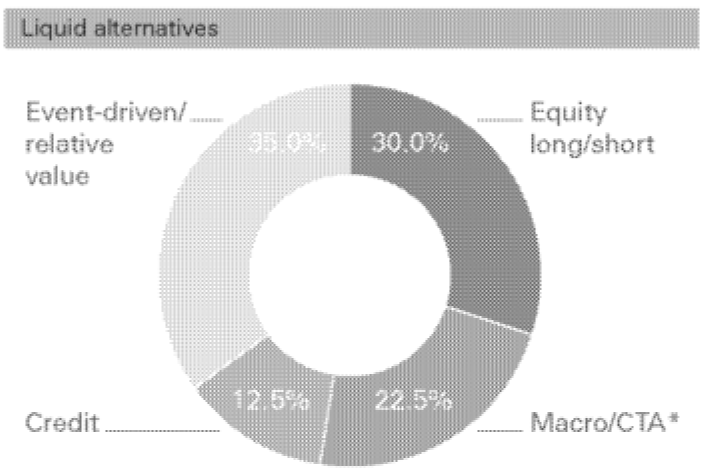
Discretionary macro

Managers here have proved to be among those better equipped to navigate through recent market volatility and trend reversals in rates and equities. Divergent monetary policies in the United States and Europe should continue to create exploitable trends in the most liquid asset classes. U.S.-dollar strengthening could gather pace as the Fed starts hiking rates later this year. The normalization in Fed monetary policy should also force emerging markets along a very diverse set of adjustment paths, creating a healthy pipeline of opportunities, both from directional and arbitrage standpoints, in local currencies and rates.

Illiquid alternatives

Private equity

Private-equity markets continue to perform strongly. European valuations remain slightly lower than U.S. valuations and may also offer greater potential economic upside. Private-equity acquisition multiples (the price paid relative to the target companies' earnings) are above their 10-year average for both small and large deals in the United States and Europe. In the United States pricing remains very competitive as both strategic buyers and financial investors are extremely active. In the first quarter of 2015 deal sourcing has been dominated by the public-to-private segment for the U.S. market and by secondary buyouts in Europe. The first quarter also saw considerable distributions by fund managers to investors. Buoyant Chinese capital markets until recently had enabled private-equity managers to sell portfolio companies at a record pace and on favorable terms. However, the recent local-market correction will potentially make this environment more challenging in the future.



Sources: Deutsche Asset & Wealth Management Investment GmbH, Deutsche Bank AG Filiale London, as of 7/21/15
This allocation may not be suitable for all investors. In our balanced model portfolio, we currently allocate 10% to alternative investments (see "Portfolio").

Please refer to the following interview for the regulatory requirements for the offer or sale of alternative investments.
* Commodity Trading Advisor