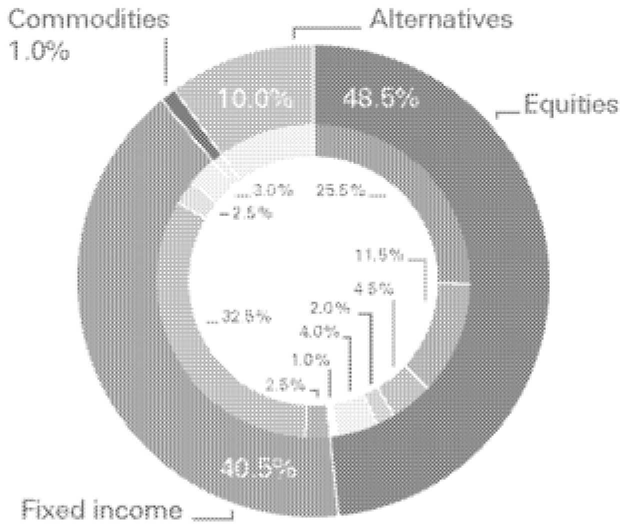
Americas

Portfolio

Our asset-class allocation in a balanced portfolio

Traditional asset classes

Within the core part of our balanced portfolio, we cover traditional liquid assets such as equities, fixed income and commodities. The chart shows how we would currently design a balanced portfolio, including alternative asset classes.[1]



Equities

Equities have been unsettled by developments in China, but fundamentals in the developed markets remain sound. U.S. second-quarter corporate earnings came in better than expected and European earnings growth (excluding energy stocks) was even stronger. Japanese earnings have also increased. Volatility is likely to increase around a Fed rate hike but could create buying opportunities. Emerging markets have found the going tougher and could suffer further both from a U.S. rate hike and also developments in China. Emerging-market equities in economies with substantial current-account deficits could be particularly vulnerable.

Fixed income

Once the Fed starts hiking rates, the pace is expected to gentle, meaning that major-developed-market government yields are unlikely to increase sharply over the next 12 months. With the ECB persevering with quantitative easing, the differential between U.S. Treasuries and German Bunds is also likely to continue. On the corporate side, high levels of recent issuance help keep us cautious on investment grade. U.S. high-yield could be affected by concerns over energy-sector borrowers, but we continue to see some opportunities in this asset class. Emerging-markets hard-currency debt may offer relatively high yields, but also increasing levels of risk.

Commodities

Commodity prices face two key headwinds: a strong U.S. dollar and concerns about Chinese demand. In the case of oil, worries about possible future increases in supply will continue to create additional downwards pressure. While lower prices will eventually lead to lower supply, this process is likely to take time. Evidence of stronger Chinese growth might provide some support, but a sharp rebound in oil and other commodity prices looks most unlikely. Gold has benefited to a limited extent from recent market uncertainty but a rise in interest rates would probably be a negative for this commodity.

Equities	suggested weight
Developed markets	43.5%
United States	25.5%
Europe	11.5%
Japan	4.5%
Pacific ex Japan	2.0%
Emerging Markets	5.0%
Asia ex Japan	4.0%
Latin America	1.0%
Fixed income	
Credit	2.5%
Sovereigns	32.5%
Emerging markets	2.5%
Cash	3.0%
Commodities	
Commodities	1.0%
Alternatives	
Alternatives	10.0%

Sources: Regional Investment Committee (RIC), Deutsche Asset & Wealth Management Investment GmbH, Deutsche Bank Trust Company Americas, as of 8/18/15.
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.

[1] Alternative investments are dealt with separately in the next chapter. Alternatives are not suitable for all clients.