

Alternatives

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

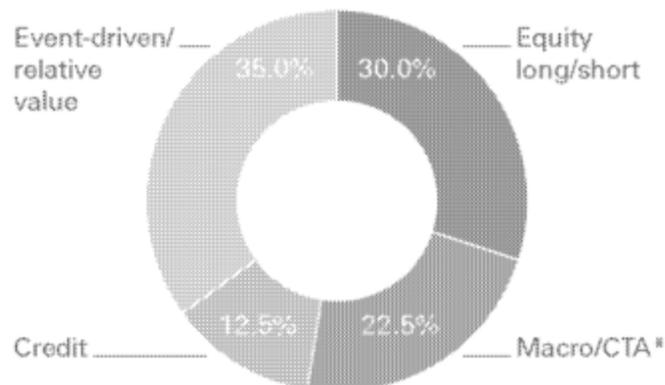
■ Equity long/short

The performance of equity-long/short strategies year-to-date has reflected two market dynamics over this period. Firstly, value has underperformed momentum for the majority of the year which has hindered the performance of managers' long book. Secondly, small caps have marginally underperformed large caps ahead of the turning of the rate cycle in the United States and equity-long/short managers generically operating with net long exposure tend to fish in mid and small caps where they believe alpha can be more easily captured. Looking forward we believe that exposure to low-net-exposure equity strategies particularly in the United States will allow investors to generate uncorrelated returns with less volatility and better downside protection. From a macro perspective we believe that expansionary ECB monetary policy coupled with continued weakness in the euro should provide support for profit growth within Europe.

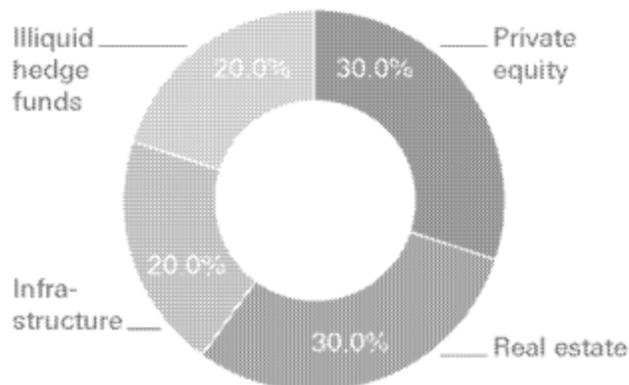
■ Event-driven

Event-driven strategies have underperformed year-to-date particularly soft-catalyst approaches where popular long names sold off over the summer. In addition the underperformance of value in markets has hurt the performance of activist strategies. On the positive side strong corporate balance sheets in the United States which are flush with cash and the search for growth through acquisition are two of a number of driving elements behind the near-record U.S.-dollar volume in mergers-and-acquisitions (M&A) activity recorded year-to-date. In light of that, we continue to favor small and agile funds with an M&A focus and tight risk-management frameworks.

Liquid alternatives



Illiquid alternatives



Illiquid alternatives

■ Private equity

U.S. private-equity markets remain active, with valuations at or near 2007 levels, bolstered by continued interest from strategic buyers as well as financial buyers sitting on large amounts of "dry powder" (capital available for investments). Debt availability is still strong. Total U.S. investment however dropped slightly in the third quarter from second-quarter levels. Private-equity markets in Europe have also continued to perform well, with fundraising for the first three quarters already surpassing the 2014 total. Price and leverage levels have moved close to their 2007 peaks. European exit markets have also been very buoyant with 2015 on track to be a record year. By contrast, economic uncertainty in Asia is expected to significantly slow down private-equity activity in this region although recent corrections in the public equity market may offer some interesting investment opportunities.

Sources: Deutsche Asset & Wealth Management Investment GmbH, Deutsche Bank AG Filiale London; as of 11/16/2015
 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

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. Offers and sales of alternative investments are subject to regulatory requirements and such investments may be available only to investors who are "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. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency.