

Deutsche Asset
& Wealth Management

®

Cash Return On Capital Invested
A Real Value Investment Process
Real Value Investment

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What is CROCI?

Cash Return On Capital Invested

What

How

Invested

CROCI is a proprietary stock-valuation methodology.

The four stages of applying CROCI methodology:

1. Research the distortions in reported financial statements and systematically adjust them to provide a comparable platform for investment and research purposes;
2. Maintain a database of 800 large cap stocks on a global basis going back to 1989;
- 3 Provide clients with publications on the regional and sector CROCI indices; and

History

clients

regional

sector

4. Deliver the CROCI valuation process and indices that offer exposure to real value and growth and long term performance.

CROCI is nearly 20 years old and is a DB registered trademark. Launched in 1996 as a research

service to institutional clients, the first indices were launched in 2004.

CROCI moved into

Deutsche Asset & Wealth Management in the fourth quarter of 2013.

Team

Published CROCI indices

blished

We never rush decisions, we prefer to get things right.

Dedicated 60 persons with an average 11 year tenure at DB.

There are 10 CROCI indices which have been used to model investment strategies using various

product wrappers by DB entities throughout the world. In the United States, Deutsche Investment

Management Americas, Inc. (DIMA) has the capability of offering investment mandates utilizing

the CROCI valuation process and indices.

are

which

various

Past performance is not indicative of future results. Indices are sponsored by DB AG London. Performance information for indices was not calculated by an independent calculation agent. It is not possible to invest directly in an index.

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1

CROCI team structure

Head of CROCI (1998)

Francesco Curto

AWM-CROCI analysis

Colin

Chris Wane

Sarvesh

Agrawal

Mulligan

AWM-CROCI Americas

McKenzie (1998)

(2000)

(2002)

Dirk Schlueter (2012)

Lynn

(1999)

DB Center (offshore)¹

Mukarram

Subha

Venkat

Gyanendra

Yogendar

Mital

Bharat

Rajiv

Vikash

Irevna (outsourced)

39 non-DB analysts

¹The first is the data of joining DB; the second is the date of joining the CROCI team at Irevna, a third-party research and analytics outsourcing provider solely dedicated to

CROCI data adjustments.

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2

Joe Hall (2013)

Fred

Karan

Chris

Ali

Rathi

Bijjaram

Jaiswal

Khairari

Parekh

Shah

Shah

Sonica

Mehta

AWM-CROCI database

Virginie Galas

Town

(2010, 2002)

(2011, 2009)

(2007, 2004)

(2007, 2005)

(2007, 2003)

(2007, 2002)

(2006, 2002)

(2007, 2003)

(2009, 2006)

Schachinger (2013)

(2010)

(1995)

(2000)

Sujit

Modi (2007, 2003)

AWM-CROCI strategies

Markus Barth

Shinil

Michael

JB

Yakir

Mayer

(2002)

Balakrishnan (2006)

(2010)

(2001)

The CROCI valuation methodology

Main differences between accounting and economic data

Ati dt

Accounting data

Book value

Is historical cost accounted and ignores intangible economic assets, such as research and development, and brand advertising.

Return on Equity

Does not represent a real return (for example depreciation is not charged economically and asset life is inconsistent.)

real

Market capitalization

Only includes the value of the equity, ignoring debt and other calls on shareholders.

Net income

Does not reflect the real level of profitability.

rn (for

Economic dataEi dt

Net capital invested

such as research and development, and brand advertising.

CROCI

Includes cash return over the life of the assets. Depreciation is charged economically, with similar assets having similar lives.

rn

Enterprise value

Includes financial debt and other liabilities, such as leases, warranties and pension underfunding.

Economic earnings

Offers a true and comparable measure of profitability

Source: Deutsche Bank CROCI team

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3

of the

Is adjusted for inflation, and also includes capitalized intangibles,

Converting accounting data into real economic data
Economic P/E correlations are much higher than for accounting P/E
Accounting inputs
Economic inputs
Price-to-book value (P/BV)
Return on equity (E/BV)
Accounting P/E
Accounting P/E: P/BV vs. ROE1

35
40
10
15
20
25
30
0
5
-200%
-100%
0%
100%
200%
300%
 $R^2 = 0.3295$

=
P/BV
ROE
20
25
10
15
5
0
-40% -20% 0% 20% 40% 60% 80% 100% 120%

1P/BV vs. ROE and EV/NCI vs. CROCI is for CROCI global universe during 2012, using average share price where necessary. Companies with negative P/BVs have been removed from both, along with three extreme outliers in the accounting chart. price

Source: Deutsche Bank
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Companies with
P/BVs
Enterprise value / net capital invested (EV/NCI)
Cash Return On Capital Invested (CROCI) Invested (CROCI)
Economic P/E
=

Economic P/E: EV/NCI vs. CROCI1

$R^2 = 0.7517$

EV/NCI

CROCI

CROCI selection methodology

regional

pp

Overview of country, regional and global CROCI indices

Large-cap selection pools excluding financials¹

(S&P 500 Index, EuroSTOXX Large Index, TOPIX 100, MSCI World Index)

The transition

from

Rank stocks by trailing 12 month economic P/E

12economic

SelecSl

t fixed number of hi h hig est-ranked s ocks

kd t

CROCI Index

CROCI Index

(equal-weighted, long-only, rebalanced monthly, no cash position)²

– CROCI World and CROCI World ex Japan Indices are targeted to be region neutral to the MSCI World and MSCI

CROCI indices are rebalanced on a monthly basis and are equally weighted.²

gg

Kokusai Indices respectively.

– CROCI Sectors III Index selects the 10 stocks with the lowest economic P/E from each of the three global

sectors with the lowest median economic P/E.

(1)

(2)

That are included in the CROCI database.

Th

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CROCI Global Dividends Index and CROCI US Dividends Index are rebalance on a quarterly basis.

Index returns assume reinvestment of dividends and do not reflect any fees or expenses. It is not possible to invest directly in an index.

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CROCI data to

CROCI id index is

entirely

systematic,

transparent an tt d

without

subjectivity.

Benchmarking real value investment: CROCI indices¹

Country, regional, global and sustainable dividend building blocks

regional, global

Country

Regional

Global

Dividends

CROCI

US Index

CROCI

CROCI

Euro In exEI d

CROCI

World Index

CROCI

Global Dividends Index

CROCI

Japan Index

dividend

CROCI

UK Index

CROCI

Wld JI d

CROCI

Sectors III Index

CROCI

US Dividends Index

– CROCI index daily closing levels are available on Bloomberg, Reuters and DBIQ.

– CROCI World and CROCI World ex Japan indices are targeted to be region-neutral to their

benchmark, the MSCI World Index and the MSCI Kokusai Index.

– CROCI Sectors III Index selects the 10 stocks with the lowest economic P/E from each of the three global sectors with the lowest median economic P/E.

– CROCI Dividends Index targets companies with sustainable dividends AND attractive valuations.

(1)

It is not possible to invest directly in an index.

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World ex Japan In ex

blocks

CROCI

Germany Index

Index performance since live date vs. benchmark indices

as of 1/31/14

CROCI Index

US

Japan

World USD

Benchmark index

S&P 500 Index TR

Euro EuroSTOXX 50 TR

TOPIX 100 TR

TOPIX

MSCI World USD Net TR Index

Sectors III USD MSCI World USD Net TR Index

Germany

Template

Table.xlsx", "Worksheet_Name": "Sheet1", "Shape_Name": "perf_since_live_date"}
{ "Signature": "99914B932BD37A50B983C5E7C90AE93B", "Workbook_Name": "P:_An

alysis Template\\CROCI Indices Performance

DAX Index

UK

UK

World ex Japan

US Dividends Net

Performance

FTSE 100 TR Index

MSCI Kokusai Net USD Index

Global Dividends USD MSCI World HDY Net USD Index

S&P High Yield Dividend

Aristocrats TR Index

11/25/10

3/31/05

7/29/05

2/1/07

8/31/10

3/15/12

5/28/12

Index live

date1

2/1/04

2/1/04

2/1/04

Cumulative

growth

151.4%

102.6%

42.7%

47.9%

184.8%

123.2%

92.5%

78.0%

28.7%

43.6%
Compounded
annual growth
9.7%
7.3%
36%
13.1%
12.6%
9.9%
9.8%
18.3%
14.3%
24.0%
Excess
annualised
return²
3.6%
2.9%
3.7%
14%
1.4%
2.0%
6.6%
2.0%
5.5%
3.2%
1.7%
3.7%

Source: Deutsche Bank and Bloomberg as of 1/31/14. Performance is historical and does not guarantee future results. Indices are sponsored by DB AG London. gp

Performance information for indices was not calculated by an independent calculation agent. Index returns assume reinvestment of dividends and do not reflect any fees

or expenses. It is not possible to invest directly in an index. This performance is not representative of the performance any DIMA investment strategy or mandate. This

represents performance of the CROCI indices. DIMA is not a party to the management or publication of these indices. While DIMA expects to manage investment strategies

based on CROCI and these indexes, this is not intended to represent that activity. Performance of the indices do not take into account the effect of management fees and other

transaction costs associated with the management of a separate account strategy implementing the CROCI valuation process. These fees and expenses will reduce an investors overall return.

1 Index live date refers to the first date that CROCI levels were calculated on a live basis(i.e., not backtested).

2 Excess annualized return is the difference in the compounded annual growth rate (CAGR) for a particular Index and that of its benchmark.

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CROCI US Index (ticker DBUSCRUT)

Simulated data prior to 2/2/04

Relative performance vs. S&P 500 Index

3000

Thli

1500

2000

2500

1000

500

0

0

96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14

Index performance analysis

1 Feb 1996 - 31 Jan 2014

Grow th Over Period

Compounded Annual Grow th

Annualised Daily Volatility

Sharpe Ratio (2.90%)

Worst drawdow n

Median monthly return

Best monthly return

Worst monthly return

% of months w ith gains gains

of

onths wi

Trailing 12M Dividend Yield

Correlation

CROCI US S&P 500 TR

866.2%

13.4%

19.6%

0.54

-53.1%

1.1%

16.1%

-18.5%

60.5%

5%

1.9%

289.3%

7.8%

19.8%

0.25

-55.3%

1.3%

10.9%

-16.8%

63.3%

2.5%

0.91

96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14

CROCI US

S&P 500 TR

Historical sector allocation, rolling five years

100%

80%

90%

60%

70%

50%

30%

40%

10%

20%

0%

09

Industrials

Health Care

10

Utilities

11

12

13

Information Technology Consumer Discretionary Energy

Consumer Staples

Materials

Source: Deutsche Bank and Bloomberg as of 1/31/14. Performance is historical and does not guarantee future results. Indices are sponsored by DB AG

London. Performance information

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management or publication of these indices. While DIMA expects to manage

investment strategies based on CROCI and these indexes, this is not intended

to represent that activity. Performance of

the indices do not take into account the effect of management fees and other

transaction costs associated with the management of a separate account

strategy implementing the CROCI valuation

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process. These fees and expenses will reduce an investors overall return.

The CROCI US Index was launched on 2/2/04 and has no prior operating

history. Performance data prior to this date is

backtested. Live date refers only to the CROCI index and indicates when that

index performance date was live, not backtested. Please see slide 4 for

important information about

backtesting.

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The relative performance line plots the Index return compared
tthb

to the benchmark return. The line moves upward if Index
return exceeds benchmark return and vice-versa.

d if I d

10000

6000

8000

2000

4000

Historical index performance, 2/1/96 – 1/31/14

prior

Index performance

12000

|| Live Date ||

|| Live Date ||

Important information about backtested data

Backtested performance is not an indicator of future actual results. The results reflect performance of a strategy not historically offered to investors and do not represent returns that any investor actually attained. Backtested results are calculated by the retroactive application of a model constructed on the basis of historical data and based on assumptions integral to the model which may or may not be testable and are

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subject to losses.

General assumptions include: The index would have been able to purchase the securities recommended by the model and the markets were sufficiently liquid to permit all trading. Changes in these assumptions may have a material impact on the backtested returns presented. This information is provided for illustrative purposes only.

Backtested performance is developed with the benefit of hindsight and has inherent limitations. Specifically backtested results do not reflect actual trading or the effect of material economic and market factors on the decision-making process. Since trades have not actually been executed, results may have under or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity, and may not reflect the impact that certain economic or market factors may have had on the decision-making process. Actual performance may differ significantly from backtested performance.

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Backtested results are adjusted to reflect the reinvestment of dividends and other income and, except where otherwise indicated, are presented

results

to reflect

reinvestment

otherwise indicat

gross-of-fees and do not include the effect of backtested transaction costs, management fees, performance fees or expenses, if applicable.

All CROCI indices in this presentation have a history that combines backtested data with live data. Inception dates refer to the first instance of a

CROCI index which would have been backtested and live dates refer to the moment in time when a particular CROCI index was no longer backtested (i.e. "live").

All CROCI performance shown in this presentation reflects the returns of an index and not any investment product portfolio management or shown in this presentation reflects the mandated strategy.

It is not possible to invest directly in an index.

CROCI Index

US

Euro

Japan
World USD
Sectors III USD
Deutsche Asset
& Wealth Management
2/1/04
2/1/04
2/1/04
11/25/10
3/31/05
of an index

,
presented
Index live date
CROCI Index
Germany
UK

World ex Japan
Global Dividends USD
US Dividends Net

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Index live date

7/29/05
2/1/07
8/31/10
3/15/12
5/28/12
9

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. ("DIMA"

"Advisor") intends

and manage investment strategies.

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process

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