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DB Brent Short Volatility II Index

October 2014



A Passion to Perform.

Deutsche Bank 

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DB Brent Short Volatility II

Index Summary

- **Rationale:** Historically, on average Brent implied volatility has been higher than subsequent realized volatility. In other words, historically implied volatility has priced at a premium. This may be because of corporate hedging flows. DB Brent Short Volatility Strategy offers investors a simple and convenient vehicle to monetize the implied volatility premium.
- **Description:** The DB Brent Short Volatility II strategy aims to capture the differential between implied and realized variance in the Brent crude oil market by systematically selling straddle and subsequently delta hedging these straddles
 - The index is constructed as an equally weighted average of 3 sub-indices, each rolling on different dates in order to minimize path dependency and keep an (almost) constant volatility duration exposure at all times
 - On the relevant quarterly roll date (t_r), each sub-index sells equal number of call and put options
 - Every day the delta position implied by these options is hedged by buying the delta amount of underlying future at market close
 - Profit and loss from each sub index is the sum of;
 - Product of number of options sold on previous rebalance date and the change in option price from previous day, for each of the call and put
 - Product of number of options sold, the implied delta position on previous day and the change in underlying future price from previous day
 - Option prices are calculated using Black-Scholes model using an after cost implied volatility (σ_t^{AC})
 - Option strike is the closest integer strike to the at the money future price on a quarterly roll date
 - $\sigma_t^{AC} = \sigma_t - \max(4\% * \sigma_t, 0.75\%)$; where σ_t is the volatility calculated using the exchange published option prices

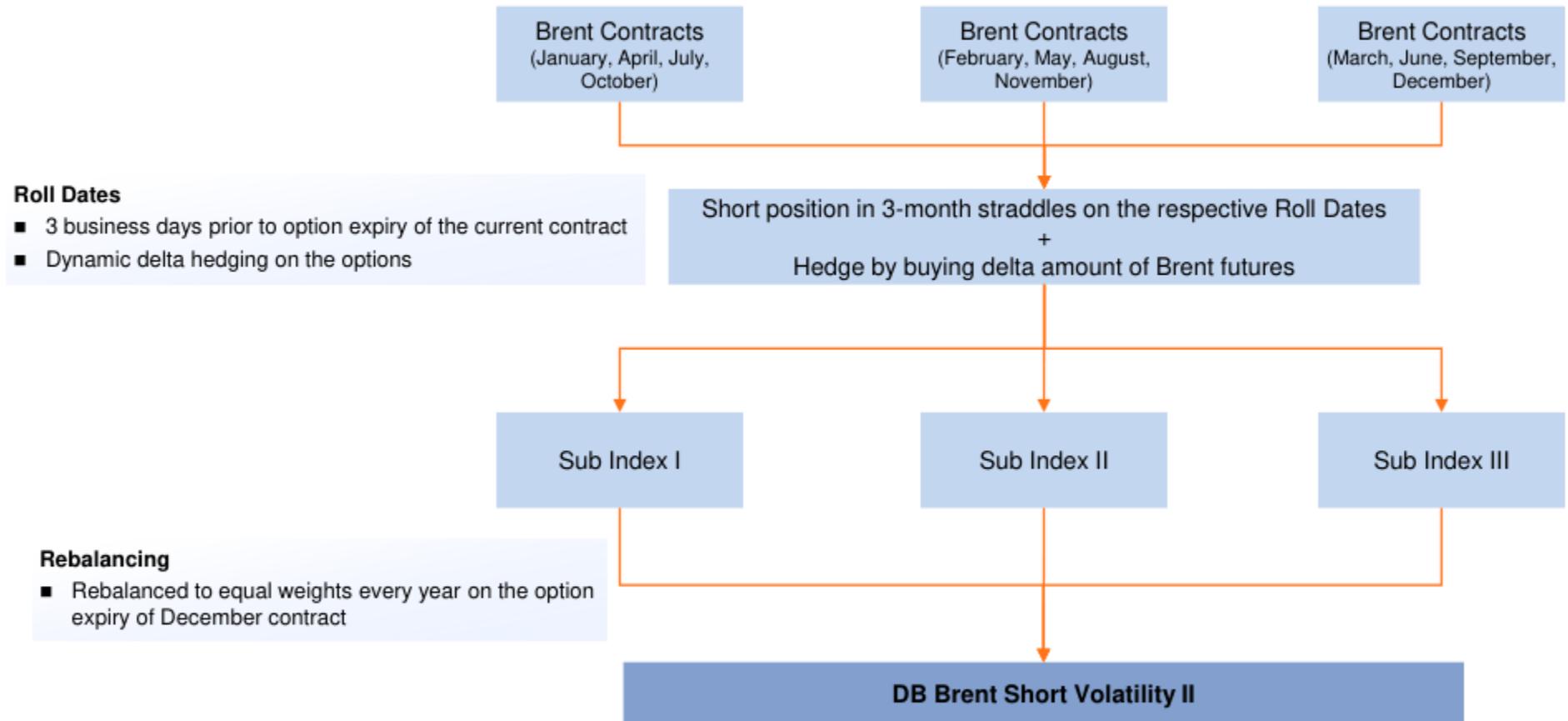
DB Brent Short Volatility II

Index Summary

- **Transparent:** The strategy is fully transparent as it is based on listed option prices
- **Market Neutral:** The strategy is constructed using a basket of options and implies no directional exposure to Brent front month prices
- **Rebalancing:** The index is rebalanced every year to provide equal exposure to the 3 sub-indices once a year. The rebalance date is the Brent December contract option expiry date.
- **Embedded Cost:** Index cost is embedded in the after cost implied volatility (σ_t^{AC}) calculation
- **Transparency:** Rules-based index with the closing level published on Bloomberg page DBCMBSV2 <index>

DB Brent Short Volatility II

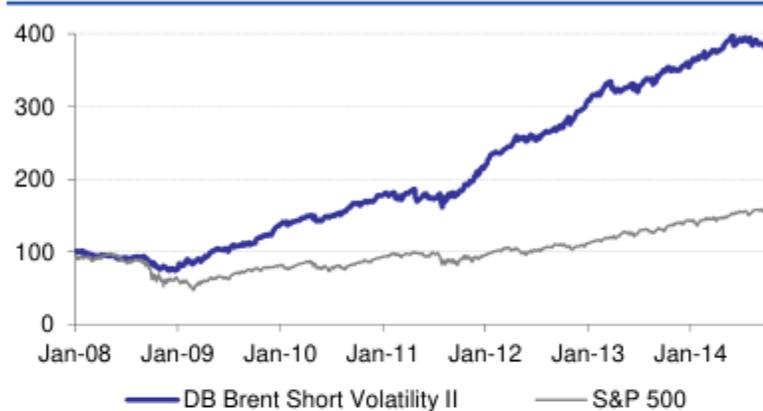
Index Construction



DB Brent Short Volatility II

Performance Analysis

Index Returns ¹



Performance Analysis¹

| Jan 2008 – Oct 2014 ² | DB Brent Short Volatility II | S&P 500 |
|----------------------------------|------------------------------|----------------|
| Annualized Returns | 21.4% | 6.0% |
| Volatility | 12.8% | 23.3% |
| Sharpe Ratio | 1.67 | 0.26 |
| Maximum Drawdown | -27.2% | -52.5% |
| Start Date | Jan-08 | Dec-07 |
| End Date | Dec-08 | Mar-09 |
| Max Monthly Consecutive Loss | -19.6% | -29.6% |
| Start Date | Sep-08 | Sep-08 |
| End Date | Dec-08 | Nov-08 |
| Max / Min Returns | | |
| Rolling 12 Months | 83.7% / -25.9% | 72.3% / -47.5% |
| Rolling 3 Months | 25.8% / -20.6% | 40.4% / -40.9% |
| Average Monthly Returns | 1.7% | 0.7% |
| % Months with Gains | 71.6% | 64.2% |
| Correlation | | |
| S&P 500 | 0.28 | 1.00 |

Note:

¹ Source: Bloomberg. DB Brent Short Volatility II Index has been retrospectively calculated and did not exist prior to 04 March 2014. Accordingly, the results shown during the retrospective periods do not reflect actual returns. Past performance is not necessarily indicative of how the Index will perform in the future. The performance of any investment product based on the DB Brent Short Volatility II Index have been lower than the Index as a result of fees and / or costs

² Statistics shown are for excess return indices except S&P 500 (SPTR<index>), which is a total return index. Data is as of 14 Oct 2014

Year on Year Performance Comparison ¹

| Calendar Year | Annual Returns for Excess Return Indices | |
|--------------------------|--|--------------|
| | DB Brent Short Volatility II | S&P 500 |
| 2008 | -25.95% | -37.00% |
| 2009 | 83.19% | 26.46% |
| 2010 | 30.65% | 15.06% |
| 2011 | 22.60% | 2.11% |
| 2012 | 38.04% | 16.00% |
| 2013 | 20.22% | 32.39% |
| 2014 YTD | 3.50% | 3.22% |
| Annualized Return | 21.40% | 5.98% |

DB Brent Short Volatility II

Monthly Returns

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------|----------------|---------------|---------------|---------------|---------------|---------------|--------------|
| January | 1.76% | 11.44% | 3.76% | -0.21% | 7.75% | 5.47% | 1.28% |
| February | -4.35% | 5.77% | 0.72% | -0.86% | 0.80% | 1.80% | 2.90% |
| March | -3.37% | 0.55% | 3.43% | 2.78% | 3.62% | 3.74% | 0.53% |
| April | 1.05% | 9.37% | 2.62% | 3.30% | 6.01% | -3.33% | 0.05% |
| May | -1.62% | 9.03% | -4.29% | -4.90% | -1.33% | 1.02% | 4.11% |
| June | -1.70% | -0.05% | 2.95% | -1.90% | 0.46% | 0.63% | -0.57% |
| July | 0.19% | 2.35% | 3.07% | 3.32% | 1.70% | 2.30% | -0.37% |
| August | 0.01% | 4.59% | 1.71% | -0.56% | 2.09% | -1.37% | 0.40% |
| September | -7.19% | -1.49% | 7.28% | 0.74% | 2.42% | 4.55% | -2.04% |
| October | -6.96% | 7.91% | 0.46% | 7.50% | 4.16% | 1.77% | -2.65% |
| November | -0.57% | 3.48% | 1.31% | 3.47% | 2.62% | -0.43% | |
| December | -6.34% | 10.12% | 4.44% | 8.68% | 2.69% | 2.73% | |
| Calendar Year | -25.95% | 83.19% | 30.65% | 22.60% | 38.04% | 20.22% | 3.50% |

Note:

- 1 Source: Bloomberg. DB Brent Short Volatility II Index has been retrospectively calculated and did not exist prior to 04 March 2014. Accordingly, the results shown during the retrospective periods do not reflect actual returns. Past performance is not necessarily indicative of how the Index will perform in the future. The performance of any investment product based on the DB Brent Short Volatility II Index have been lower than the Index as a result of fees and / or costs
- 2 Statistics shown are for excess return index. Data is as of 14 Oct 2014

Risk Considerations

- The information contained in this presentation does not provide personal investment advice. You should consult with independent accounting, tax, legal and regulatory counsel regarding such matters as they may apply to your particular circumstances

Strategy Risk

- Commodities are speculative and highly volatile and the risk of loss from investing in financial instruments linked to commodities or commodity indices can be substantial
- The DB Brent Short Volatility Index shorts Brent volatility. Realized volatility might be much higher than Implied Strikes, leading to a big drawdown in the index. In theory, losses in the index are uncapped. Furthermore, realized volatility might be high and the index might decline at the same time as mainstream investments like DJUBS and SPX are declining.

Past Performance

- An index's performance is unpredictable, and past performance is not indicative of future performance. We give no representation or warranty as to the future performance of any index or investment
- Some of the indices described herein have very limited performance history

Backtesting

- Backtested, hypothetical or simulated performance results discussed herein have inherent limitations. Unlike actual historical performances, simulated results are achieved by means of the retroactive application of a backtested model itself designed with the benefit of hindsight. Taking into account historical events, the backtesting of performance also differs from actual account performance because an actual investment strategy may be adjusted any time, for any reason, including a response to material, economic or market factors. The backtested performance includes hypothetical results that do not reflect the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid or actually paid. Past hypothetical backtest results are neither an indicator nor guarantee of future returns. Actual results will vary, perhaps materially, from the analysis contained herein

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