

Private Wealth Management

Deutsche Bank

Investment Strategy and Outlook

United Kingdom

Global Investment Committee

April 2009



Agenda

- 1 House View**
- 2 Month in Review – What Has Changed?**
- 3 Financial Market Forecasts & Targets (March 2009)**
- 4 Asset Allocation by Strategy**
- 5 UK Overview**
- 6 Asset Classes**
 - Cash & FX
 - Fixed Income: Sovereign Bonds
 - Fixed Income: Corporates/Credits
 - Developed Market Equities
 - Emerging Market Equities
 - Private Equity
 - Commodities
 - Hedge Funds
 - Real Estate & Infrastructure



House View

Growth outlook & structural trends	<p>Despite some better than expected economic reports, economic indicators, in general, remain weak globally. Rising unemployment, plunging wealth, weak confidence, and deteriorating global trade suggest the recession will continue through 2009 in all regions as we expect the G7 will post the worst post-WWII growth figures (-3.3%) in 2009. Q1 2009 should prove to be the worst period of economic slowdown. There are Increasing signs of a bottoming in Emerging Asia (China, South Korea, Taiwan), LatAm remains challenged through its commodity exposure while Eastern Europe faces the longest and strongest downturn.</p> <p>Aggressive fiscal and monetary stimulus is likely to support the stabilization of global economies; however the positive impact will take time. Fiscal deficits and public sector debt rising globally. Programs to support the financial institutions via capital injections, reform to mark to market accounting and programs to alleviate balance sheet constraints due to toxic assets (i.e. PPIP and TALF).</p> <p>U.S. was first in and will likely be the first out of the recession, EM Asia following closely. Euroland (industry structure and export reliance) and Eastern Europe (fundamental weakness) to remain in recession for longer.</p>
Inflation outlook	<p>Inflation rates have fallen rapidly due to the collapse of commodity prices and cyclical decline in demand. In addition, the rapid rise in unemployment reduces the risk of wage pressures. YoY inflation rates likely to be in negative territory over the summer months due to extreme base effects. Deflation (defined as expectation of broadly based, long-term decline in goods prices) remains a risk.</p>
Central banks	<p>Positive impact of interest rate cuts remains limited in current turmoil, therefore we expect global central banks to continue on the quantitative/credit easing path. New initiatives by the Fed (i.e. TALF) and PPIF should help credit markets. ECB likely to cut rates to 0.50% during 1H09. BoE, Fed, and BoJ to hold rates near zero. Monetary easing in some EMs may be stronger than so far expected (Brazil, Mexico).</p>
Bond markets	<p>Reversal of rally in risky assets and deflation fears support highly liquid government bonds (UST, Bunds) in the near-term. Significant upward pressure on yields from massive supply to be limited due to quantitative easing and weak economic fundamentals.</p> <p>Within the Eurozone, government bond spreads rose to new highs (since Euro introduction) due to rising debt in some smaller countries and feared negative effect from trade and banking sector exposure with Eastern Europe.</p>
Stock markets	<p>After incurring multi-year lows in early March, the bear market rally has taken most indices at least 20% higher from deeply oversold levels. Weak economic fundamentals, heightened credit spreads and weak earnings remain a headwind.</p> <p>While equities will likely have an upward bias by year end to reflect the recovery in 2010, we anticipate markets to remain volatile and pullbacks may be likely. Favored regions are the U.S. and Emerging Markets (Asia and LatAm).</p>
FX	<p>The U.S. Dollar has weakened versus the Euro due to the fear that aggressive fiscal and monetary stimulus will lead to future inflationary pressure. However, in the short term, further rate cuts and quantitative easing are likely to weaken the Euro.</p> <p>Yen to remain under pressure from domestic economic weakness, continuation of the rapid decline of recent weeks unlikely.</p> <p>Low interest rate environment supportive of currency hedging given the volatility of these markets.</p>



Month in Review – What Has Changed?

Global Economy: “Green Shoots” Sprouting

Some **positive indicators** have emerged in the U.S. in housing, goods orders, confidence and spending. However, underlying fundamentals remain weak, especially in employment and manufacturing.

The U.S. government launched the **TALF** and new **Public-Private Investment Program** to help bank balance sheets. Mark-to-market accounting reform was announced and positive implications may be illustrated as early as in 1Q09 earnings. The Fed, BoE and BoJ expanded **quantitative easing** measures. Manufacturing and trade remain of concern globally. **Japan exports** contracted at a record pace (-49.4% YoY), **Eurozone industrial orders** declined at a record pace (-34.1% YoY), **UK industrial production** fell at the fastest pace in 28 years (-11.4% YoY) and the **U.S. trade balance** narrowed to a six-year low on plunging exports (-16.4% YoY).

Bottom Line: Despite signs of optimism in the U.S. growth will remain weak through 2009. Therefore, a **defensive portfolio posturing** is recommended. As a result, recessionary trades (i.e. overweight to bonds) recommended over reflationary trades (i.e. increased exposure to equities and commodities). However, tactical adjustments to portfolios given heightened volatility may be prudent.

Global Bonds: Sovereign Rates Move Higher, Add to Attractiveness

The Fed, BoE and BoJ have expanded **their scope of quantitative easing**. The initial rally from the Fed's commitment to buying USD 300 billion worth of Treasury notes has stalled and yields have drifted back towards 3.00%.

An overall rally in risky assets has reversed the flight to quality into sovereign bonds and global yields have drifted higher (10 year GILT 3.45%).

The ECB has insinuated the potential for credit/quantitative easing, however nothing has been formally announced. Supply concerns and disappointment a modest 25 bps rate cut in early April has pushed Bund yields higher (10 year Bund 3.21%).

Bottom Line: Sovereigns should benefit in the near-term from economic weakness, volatility in risky assets and quantitative easing measures. In the U.S. go long duration when yields move above 2.75% and shorten duration when yields drift below 2.25%. **Credit** remains attractive and should benefit from quantitative easing. **TIPS** remain attractive for long-term investors as an inflation hedge due to the massive monetary and fiscal policy stimulus globally.

Global Equities: Bear Market Rally Needs a Breather

Global equities rallied more than 20% from the lows in March as a bear market rally has ensued from recent oversold levels. Financials began the global equity rally however recently that rally has stalled and been replaced by a rebound in cyclical sectors (i.e. industrials, consumer discretionary, materials).

Since the March 9th low on the S&P 500, the global rally has been led by the MSCI Asia ex Japan (+29.1%), MSCI Emerging Market (+28.6%), Europe ex UK (+25.5%). Japan has been the laggard in the global rally, up 17.6% from March 9th.

Bottom Line: As expected, global equities **experienced a “bear market” rally** from depressed levels. However, the speed and magnitude of the rally lead us to be **more cautious near-term**. Until the global economy, housing, and credit markets stabilize, we view equity markets to be in a broad trading range. We will continue to look for further entry points into the market on pull-backs.

Alternative Investments: Selectivity Paramount

Commodity prices have strengthened since our last meeting (+10.1% over past month) as the Fed began quantitative easing, a weakening dollar and improving investor sentiment. Oil and industrial metal prices have led the rally.

Hedge fund performance declined in February (-1.1% HFRI Hedge Fund Weighted Composite Index vs S&P 500 -10.6%) as financial markets remained in distress. Deutsche Bank 2009 Alternative Investment Survey showed that despite a difficult year in 2008, investors intend to increase HF investments.

Bottom Line: A continuation of the recent rally in energy and industrial metals is likely to be challenged in the near-term as economic fundamentals remain weak. **Gold** is likely to rebound on any flight to quality and future inflationary pressures. **Strategy and manager selectivity** remains important in alternative asset classes. In **hedge funds**, we favor CTAs, defensive L/S, and global macro. In **real estate**, we advise private transactions over public equities and funds.



Financial Market Forecasts & Targets

GDP Growth in %	2009	2010
World	-1.9	2.0
USA	-3.9	0.6
Euroland	-3.4	0.3
UK	-4.0	0.5
Japan	-8.7	-1.9
Asia ex Japan	3.6	5.5
Latin America	-1.3	2.9
EMEA	-1.8	3.7

Inflation (CPI) in %	2009	2010
USA	-1.5	0.1
Euroland	0.3	1.0
UK	1.0	0.9
Japan	-1.2	-0.8
Asia ex Japan	1.0	1.9
Latin America	6.8	6.1
EMEA	8.7	8.0

Current Account Balance in % of GDP	2009	2010
USA	-3.5	-3.0
Euroland	-1.4	-1.0
UK	-1.5	-0.8
Japan	1.0	1.3
Asia ex Japan	4.7	4.6
Latin America	-2.2	-1.8
EMEA	-3.8	-4.1

Fiscal Balance in % of GDP	2009	2010
USA	-13.7	-7.8
Euroland	-5.0	-6.6
UK	-10.6	-9.9
Japan	-5.6	-7.0
Asia ex Japan	-4.3	-4.5
Latin America	-0.8	-0.6
EMEA	-5.0	-3.9

Key Interest Rates	Current (Apr 6, 2009)	3M Forecast	12M Forecast
USA (Fed funds)	0.00% - 0.25%	0.00% - 0.25%	0.00% - 0.25%
Euroland (Refi rate)	1.25%	0.75%	0.75%
UK (Repo rate)	0.50%	0.50%	0.50%
Japan (Money market rate)	0.10%	0.00%	0.00%

Currencies	Current (Apr 6, 2009)	3M Forecast	12M Forecast
EUR/USD	1.34	1.40	1.45
USD/JPY	100.81	100.00	105.00
EUR/CHF	1.52	1.53	1.60
GBP/USD	1.48	1.47	1.60
EUR/GBP	0.91	0.95	0.90

Commodities	Current (Apr 6, 2009)	3M Forecast	12M Forecast
Oil (WTI) in USD	52	43	58
Gold in USD	870	960	1100

Equities	Current (Apr 6, 2009)	3M Forecast	12M Forecast
USA (S&P 500)	835	810	885
Euroland (DJ Euro Stoxx 50)	2,180	2,100	2,380
UK (FTSE 100)	3,994	3,870	4,250
Japan (Nikkei)	8,858	8,500	9,500
Asia ex Japan (MSCI in USD)	317	307	355
Latin America (MSCI in USD)	2,392	2,320	2,640

10Y Interest Rates	Current (Apr 6, 2009)	3M Forecast	12M Forecast
USA	2.94%	2.50%	2.50%
Euroland	3.21%	2.75%	2.50%
UK	3.44%	3.00%	2.75%
Japan	1.45%	1.00%	1.20%

Source: Deutsche Bank Global Markets, Deutsche Bank Investment Solutions as of April 7, 2009

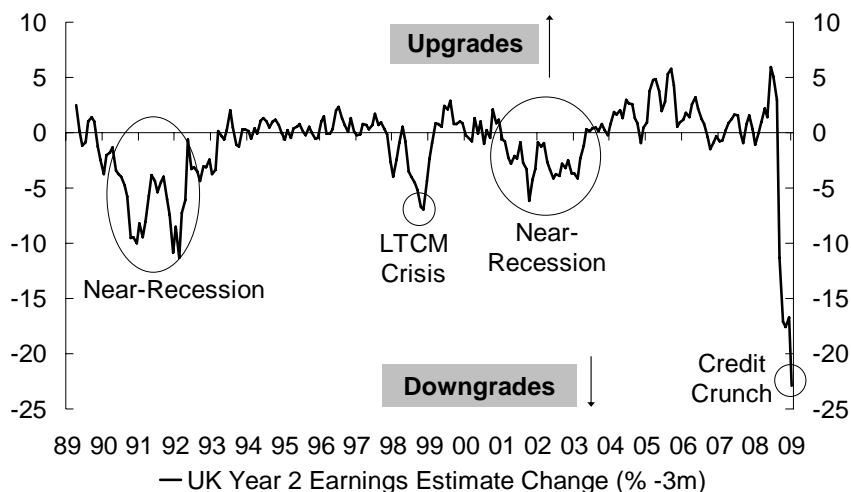


United Kingdom overview

House view

- Ongoing quantitative easing programme provides support for the financial sector and an unofficial ceiling for bond yields
- Poorly received bond auctions suggests some risk around assumption that all bond supply will be placed with investors
- Broad economic outlook remains poor but pace and scale of poor data has reduced enabling equity markets to advance in short term
- Some isolated economic data points suggest improvement and a bottoming for the economy later in 2009
- Scale of policy response together with complexion of UK sectoral balance (skew to resources) leaves the UK better placed than many other OECD economies

Earnings expectations continue to fall off a cliff



Source: MF Global, T.R. Datastream

Investment recommendations & topics

- Recent developments provide an improving backdrop to re-establish riskier positions but the pace and extent of the recent rally argues for short term caution

Fixed Income

- The compression of yields following the start of the quantitative easing programme has been offset somewhat by supply concerns leading yields to move back up
- Bonds do not represent long term value but should provide shorter term trading opportunities
- Short term expectations are for yields to move back down in response to QE and slowing growth
- Investors must be extremely agile as any meaningful sign of economic recovery will see yields move sharply higher
- Credit markets in the UK continue to offer good value

Equities

- Analysts have been, belatedly, revising down future expectations for corporate earnings very sharply as set out opposite
- The pace of earnings revisions is likely to moderate from here
- Equity markets tend to bottom at the point of maximum earnings downgrades rather than the absolute trough of earnings per se
- This provides grounds for cautious optimism from here
- A skew toward resources together with financials suggests that the UK should be an obvious beneficiary of the reflation story
- Relative sterling weakness provides further support although mild appreciation likely from here

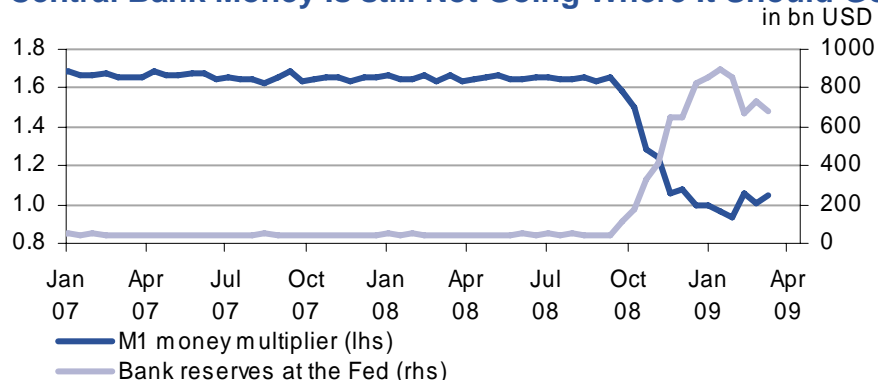


Cash & Foreign Exchange

House View

- **The Fed announcement to engage in quantitative easing (QE) sent EUR/USD up rapidly**, however amid thin liquidity. Market reactions have been very sharp and predicting a much more unorganized decline in the dollar. We consider this exaggerated and continue to see a gradual, orderly decline of USD, not a collapse.
- With the SNB officially intervening to push CHF down, we are observing **the first step towards what could become a global devaluation race**. As central banks have exploited most of their conventional tools and the success of quantitative easing is hard to predict the focus could shift towards the management of the exchange rate.
- A collapse in the money multiplier and slowing velocity of money reveal that **most of the money created by the Fed in recent months remains in the central bank as excess reserves**. Whether this money can be deployed to the broader aggregates will in the end determine the success of QE and also give an indication whether the measures will be inflationary in the long run.

Central Bank Money Is still Not Going Where It Should Go



Source: St. Louis Fed, Bloomberg, Deutsche Bank Global Investment Solutions

Investment Recommendations & Topics

- **Stay defensive:** 2009 rather a tactical year as a severe global recession is likely to mix with bouts of optimism and risk taking. After the strong moves we saw in JPY and USD in recent weeks many investors are readjusting their positions. We would position for medium-term USD weakness while for the moment we see only little more downside in GBP and in JPY.
- **Sentiment towards USD weakened, but no rapid selloff expected.** Latest U.S. TIC data reveal that at the beginning of this year there were net outflows of U.S. capital and net foreign sales of U.S. T-Bills. This is the first leg of the less USD-supportive flows we predicted. As long as the overall risk sentiment remains fragile we expect that USD will not completely lose its safe-haven status though the elasticity towards equities has weakened as of late. Chinese talk of diversifying their FX reserves away from the USD appear to be aimed above all at gaining a more prominent voice in the financial community. A sharp dollar sell-off cannot be in China's interest.
- While the **ECB's** conservative stance is often criticized as too reluctant their **inflation focus could support the EUR** when all others central banks have resorted to the aggressive quantitative easing through monetization and inflation fears emerge.
- **We believe that most of the JPY adjustment has run its course.** Markets are now priced for continued weak economic data. Yet in a global recovery JPY will likely underperform again as carry traders return and JPY is to remain the preferred short currency for them.
- **The SNB has drawn a line in the sand.** Though it is probable that the market will test their determination and fire power we expect the SNB to stick to their word and defend the 1.48 level in EUR/CHF.

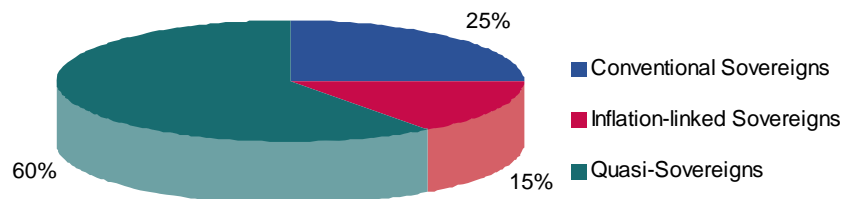


Fixed Income Sovereign Bonds

House View

- Despite the official implementation of **quantitative easing** by several global central banks, sovereign yields remain elevated due to supply concerns, disappointing policy action by the ECB, a rally in risky assets and preliminary signs of economic stabilization in some regions.
- In the **near-term**, we believe the rally in risky assets will come under pressure as earnings season kicks off, the PPIP is being implemented and the bank stress tests are conducted. Therefore we advise against being short Treasuries at this point and expect yields to drift towards our 3-month forecasts (U.S. 2.50%, Europe 2.75%, UK 3.00%).
- Over the next 12 months we expect a range trading environment as pricing will reflect the success of the government programs (QE, PPIP, TALF). We are **biased towards slightly lower yields** through 2009 as central banks aggressively work to keep rates low to spur private loan demand.
- The risk to this view is that **growth stabilizes** earlier than expected, central banks remove credit easing or the current reversal in risk aversion continues apace.

Sovereign Asset Allocation



Source: FactSet, EcoWin

Investment Recommendations & Topics

- In the U.S., we reiterate our trading range and recommend **reducing exposure when the 10-year Treasury yield falls towards 2.25% and accumulating exposure when yields approach or exceed 2.75%.**
- For long-term investors we would recommend focusing on **relative value versus sovereign debt** and focus on high quality spread related products (swaps, agencies and guaranteed bank debt). While it is possible that sovereign debt may benefit from quantitative easing, we see better risk/reward potential in spread products that will ultimately benefit from the central bank interventions to ease credit market tensions.
- **TIPS long-term attractive vs. conventional Treasuries.** TIPS have outperformed Treasuries year-to-date as breakeven inflation rates have risen and liquidity has improved. We continue to recommend TIPS for investors with a long-term time horizon however, as negative year-over-year inflation prints are expected in the coming months TIPS may become relatively cheaper. Therefore, we expect to find better entry points into TIPS and would recommend waiting for 10-year breakeven inflation rates to drop closer to 1.00% before adding additional exposure.
- **Sovereign debt is likely to underperform quasi-sovereign debt** such as sovereign-guaranteed bank bonds, supranational and government agency debt.
- Given our expectation that Europe's recession will be more prolonged than the U.S. and the USD depreciation will resume in late 2009, there is opportunity for U.S. investors to invest in **European sovereign bonds.**

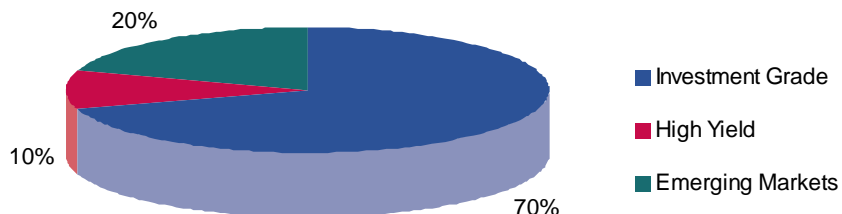


Fixed Income Credit

House View

- High yield and Emerging Market bonds have outperformed the investment grade sector as the recent rally in risky assets and policy measures have boosted demand for these sectors.
- Quantitative/Credit easing by central banks should ultimately **benefit the credit sector** while the active corporate bond calendar (which has been met by strong demand) shows signs that credit markets are thawing. We continue to recommend a significant exposure to credit.
- While we **favour investment grade over high yield**, high yield bonds are becoming more attractive as the global depression scenario has become less likely. The risks to high yield bonds have become relatively balanced. We recommend waiting for a pullback before gradually adding exposure.
- The **risk to credit** would be a rapid decline in sovereign bond yields due to a sharper or more prolonged contraction in economic growth than expected. As a result, spreads may widen and credit would underperform sovereign debt.

Credit Sector Allocation



Source: FactSet, EcoWin

Investment Recommendations & Topics

- **Investment grade over High Yield but High Yield Becoming Attractive.** High yield spreads are currently pricing in a level similar to the expected default rate (Moody's 16.4% by October 2009). If the expected default rate proves to be overly pessimistic returns could be substantial for the sector. If defaults meet expectations returns could still be in the 4-7% range. We therefore incorporate HY into our credit allocation with a 10% share of the pie.
- **New issues** – largely by non-financials – have performed very well. We still recommend building credit allocations through via new issues. Supply has been brisk but might subside as companies are taking advantage of improved market conditions to meet their funding requirements ahead of schedule.
- **Senior unsecured bank debt** of large national champions is attractive given the scale of government support. However given Geithner's warning about banks' potentially significant capital needs, we remain cautious on US bank debt. We favour European bank debt where political support for bondholders is less ambiguous.
- **Subordinated bank debt** has found a bottom as several banks have started bidding back their own bonds to realise capital gains. Lower Tier 2 debt is still attractive but Tier 1 debt of solid banks has rallied quite strongly and thus may harbour more downside than upside in the near term.
- **Municipals over Treasuries.** Municipals remain attractive on a relative basis versus Treasuries. However, in this stage of the business cycle we would recommend not sacrificing credit quality. We favor high quality GOs, essential service revenue and higher education bonds. Recommend the 5-10 year part of the Municipal curve.
- **Emerging Markets**
EM hard currency debt attractive with the outlook of strongly supported UST yields, high carry and default risk on average price in more than adequate. We have no regional preference in this extremely heterogeneous asset class and recommend international diversification. In emerging local bond markets we favour countries with low default risk, attractive yield, outlook for monetary easing and a fundamentally supported currency: Brazil and Mexico.

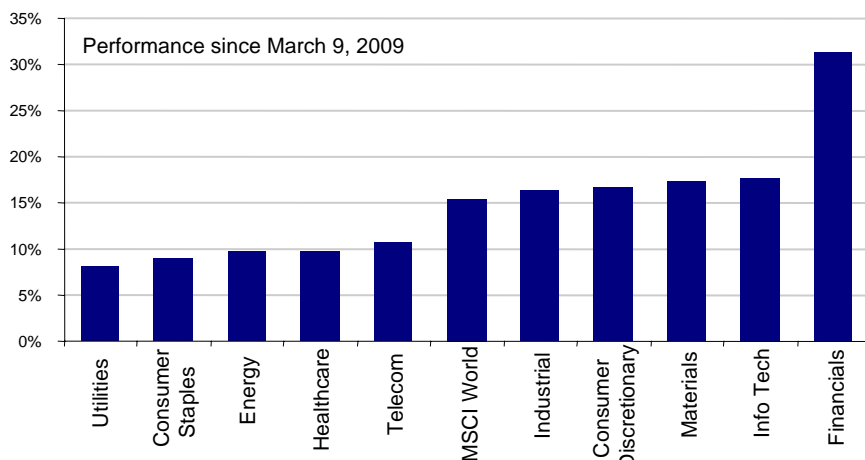


Developed Market Equities

House View

- As expected, given the depressed levels and overly bearish sentiment, most global indices have experienced a **“bear market” rally from multi-year lows** due to better than expected economic data and aggressive government policy responses. The rally has been driven by the U.S., and more specifically the financials and other cyclical sectors.
- Given the forward looking nature of equities and increased confidence that the recession will not turn into depression, it is likely that the **cyclical lows were** reached on March 9. However, that does not insinuate that ongoing weakness in the global economy will not warrant a **retest of these lows**. Markets are expected to remain **range bound** until more signs of a sustainable recovery develop in the economy, earnings, housing and credit markets.
- **Near-term volatility is expected** with the upcoming 1Q09 earnings season, the implementation of the recent government programs (i.e. TALF, PPIF, QE, etc.), bank “stress tests” and the fate of the U.S automakers.

Financials And Cyclical Lead “Bear Market Rally”



Source: MSCI, MSCI World Index (USD)

Investment Recommendations and Topics

- Positive equity returns will be generated via **P/E expansion** as earnings growth in the developed world will likely be negative in 2009. Historically, P/Es trough during the depths of a recession, but expand as the recession ends and a recovery materializes.
- Be cautious putting too much emphasis on **current dividend yields** as it is likely dividends will be cut further to replenish cash on balance sheets. In the U.S. we expect a 25% decline in dividends in 2009.
- **U.S. over other developed countries.** The U.S. is expected to be the first in and the first out of the current global recession. As a result, the U.S. is expected to be the driving force for a sustainable rally in global equities. However, return potentials may be favorable in Euroland once a sustainable rally occurs.
- **Japan will likely underperform the U.S.** due to a prolonged slowdown led by strong currencies (Yen), limited policy flexibility, collapse in global trade, weak economic data and larger allocation to financials and cyclical sectors.
- Prefer **large caps** over small caps globally, given our current position in the business cycle and tight credit conditions.
- **Sell volatility** (i.e. sell out-of-the-money calls and puts selectively as volatility indices spike).
- **Sector selection** should remain moderately defensive with the addition of some selected cyclicals.
 - **U.S. favored sectors:** Barbelled strategy that includes defensive sectors (healthcare and consumer staples) and selected cyclicals (materials and tech). Underweight consumer discretionary and utilities.
 - **Euroland:** Overweight oil and gas, telecoms, materials. Underweight healthcare and industrials.
 - **Infrastructure:** Longer term, companies with high exposure to infrastructure (e.g. capital goods, commodities) should benefit from a passing of global fiscal stimulus. However, near term excess capacity and underutilization is a headwind.



Emerging Market Equities

House View

Emerging Markets to continue outperforming (vs. developed):

- Growth outlook: economic growth gap to developed markets increasing further. Earnings revised downward for EM but less than in developed markets.
- Monetary expansion: except EMEA declining inflation offers substantial scope for easing and unlike in developed countries monetary transmission still functioning properly.
- Banking sector in select Asian and Latin American countries healthier than in U.S. and Europe: better regulation, catch-up process instead of structural downsizing.
- Global equity sector dynamics favor EMs: materials, industrials and technology likely to pick-up in the recovery (also benefit from strong infrastructure investments).
- Further boost for productivity from infrastructure improvement and ongoing deregulation → efficiency gains, higher profitability.

Performance By Region (MSCI Indices in USD)



Source: T.R. Datastream, Deutsche Bank Global Investment Solutions

Investment Recommendations & Topics

Country recommendations:

- **China:** Business cycle indicators bottoming, monetary push works (bank lending increased rapidly). Fiscal push from last year's programs to intensify in the next few months. Longer-term support for consumption from ambitious health care reform. Industrial policy adapting to structural changes (consolidation in car industry, increase of R&D spending, strategic positioning in the global resource sector).
- **Taiwan:** No consumer bubble, weak credit growth. Substantial monetary easing in past 6 months. Infrastructure boost started earlier than everywhere else (already in implementation phase). Improvement in cross-strait relationship resulting in much closer economic and political linkages with mainland China.
- **South Korea:** Signs of economic bottoming (high tech exports, construction activity, business surveys). Substantial fiscal stimulus measures (6% of GDP). Aggressive monetary easing: from 5.25% to 2%. Potential for strong currency appreciation is attractive for foreign stock market investors.
- **Brazil:** Aggressive interest rate cuts (high real interest rates used to be a substantial drag on companies), scope for further fiscal expansion, banking sector in good shape, diversified commodity wealth.
- **Mexico:** For valuation (so far not joined the recent rally in other EMs), fiscal stimulus package under way, banking sector benefiting from more monetary easing. Less commodity sensitive than other LatAm markets, high share of domestic sectors in stock market (telcos, banks)

Regional recommendations:

- **Emerging Asia and LatAm** attractive. Continue to **avoid Eastern Europe and Russia.** **Eastern Europe:** High refinancing needs, currency vulnerability, recession. No scope for fiscal easing. **Russia:** Outperformed in recent weeks, however, in risk-adjusted terms we find other EMs more attractive.

Past performance is not indicative of future results



Private Equity

House View

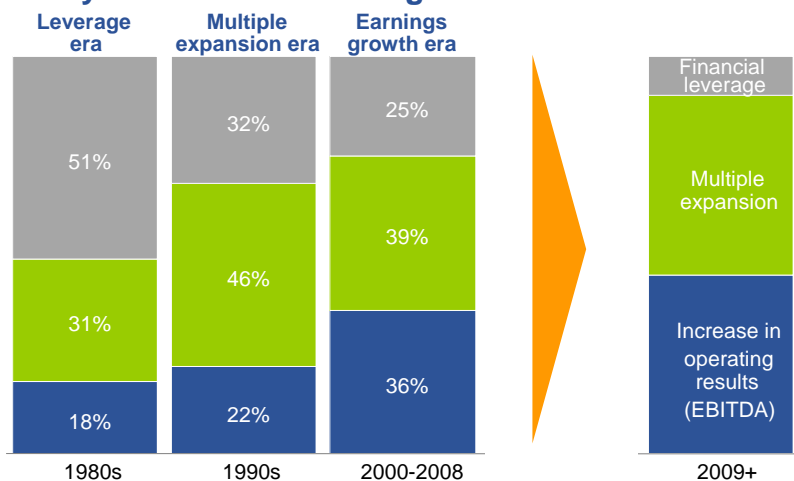
Impact of credit and economic crisis on existing PE deals:

- Difficult financial market conditions combined with new mark-to-market accounting regulations (FAS 157) will result in downward pressure on interim valuations: 2008 temporary mark-to-market write-downs across private equity funds expected to be in the range of 20-35% (4Q08 valuations still pending).
- Longer holding periods and increased J-curve effect.
- Liquidity and long-term capitalization are key to navigate through this cycle.

Impact of credit and economic crisis on new PE deals:

- Best private equity opportunities occur at the bottom of the cycle – Recession vintage years offer high return potential.
- More favorable risk-return profile today than before the credit crisis – Higher target returns and anticipated lower risk (i.e. less leverage).
- Distressed, credit oriented investments (incl. mezzanine) and value buyouts are expected to drive private equity deal flow in 2009-2010.

Industry Structure Will Change - Value Creation Over Time



Source: Private Equity Analyst 2008

Investment Recommendations & Topics

- Rigorous manager selection is the driver of outperformance and its importance is increasing in challenging market environments.

Opportune time for credit-oriented investments and value buyouts

■ Focus on distressed investments

- Aggressive debt issuance over past years and recession expected to lead to increasing default rates (S&P/Moody's expect a significant increase in default rates in 2009 and 2010).
- Substantial amount of debt maturing over the next few years which has to be refinanced.
- Distressed opportunities not always related to high leverage (i.e. also related to corporate events, cyclical industries).
- Target good companies in need of liquidity or significant capital structure transformation.

■ Focus on mezzanine investments

- Limited availability of subordinated capital leads to opportunities to deploy scarce capital at attractive risk-adjusted returns.
- Negotiation power has shifted from borrowers to lenders who can command more favorable terms.
- Significantly better risk/reward profile than before the market correction: less leverage, higher interest rates, tighter covenants, free warrants.
- Mezzanine investments currently priced to generate equity-like target returns of 20-25%, including interest payments of 12-14% which provide stable annual cash flows.

■ Focus on value buyouts

- Value buyout investments are driven by value creation through operational improvements (rather than leverage) and reduced purchase prices which compensate for less leverage (i.e. higher equity requirements) and higher financing costs.

Past performance is not indicative of future results.

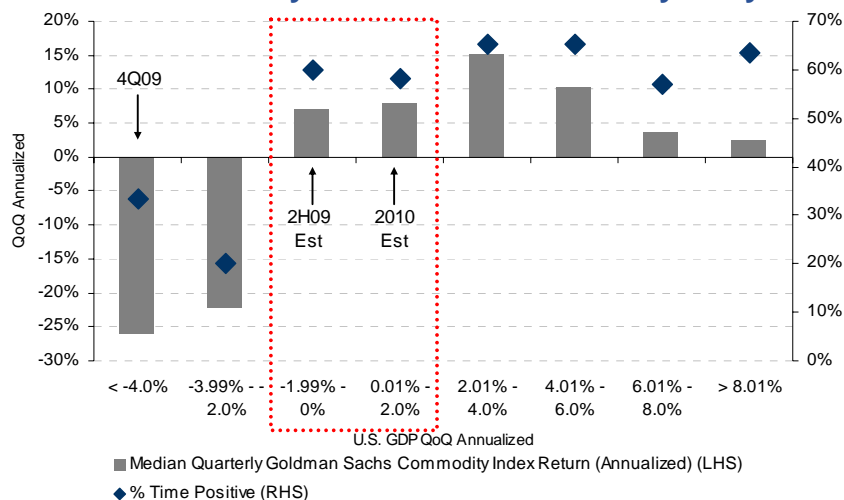


Commodities

House View

- Given our base case forecast that the global recession will likely extend through 2009, a broad-based, sustainable rally in economically sensitive commodities (i.e. energy and industrial metals) is unlikely. In addition, deflation and declining demand will continue to place downward pressure on prices in the near term. We continue to monitor traditional indicators (i.e. Baltic Freight Index, leading indicators and Chinese demand) to signal a rebound in commodities.
- Given the significant declines from many of their peaks, much of the economic slowdown has likely been priced in. Supply reductions (i.e. OPEC cuts) and the expectation of a weaker Dollar are supportive.
- Selectivity remains critical. Currently, we prefer less cyclical commodities such as gold and agricultural commodities.

Economic Recovery Needed For Commodity Rally



Source: Factset Past performance is not indicative of future results

Investment Recommendations & Topics

- At current levels, we believe **crude oil** is likely range bound between USD 43 and USD 58/barrel. High correlation to equity markets and sensitivity to fluctuations in the USD will drive oil prices in the near-term. Longer-term, we believe a recovery in global economic activity, driven by the energy intensive Emerging Markets, will support higher oil prices. Looking forward, delayed non-OPEC oil exploration projects may lead to slow expansion of production capacity in the future.
- In the short term, negative real interest rates, flight to quality, investment demand (i.e. ETF demand), the potential for geopolitical conflicts and financial turmoil are supportive of higher **precious metals** prices. In the long term, expected USD weakness, increased commercial demand and rising inflation from aggressive monetary and fiscal policy should support higher **gold** prices.
- The recent rally in **industrial metals** has been driven by strategic buying in China. In our view, the current rally is unsustainable as long as Chinese demand is only for reserve building. While prices may continue to move higher in the medium term, we believe a fundamental economic recovery is required for long-term strength.
- As the new crop year in the northern hemisphere begins, selectivity within agriculture is paramount. In the near and medium term, price fluctuations will be driven by farmer's planting intentions (i.e. acreage allocations) and weather. Longer-term prices of **agricultural goods** should remain supported by low global inventories, climate change, growing demand and higher input costs.
- Although many forward curves have flattened over the past few weeks, they are still in contango shape (forward prices higher than spot prices). We expect the flattening to continue and prefer trades or instruments which make use of the forward curve shapes.

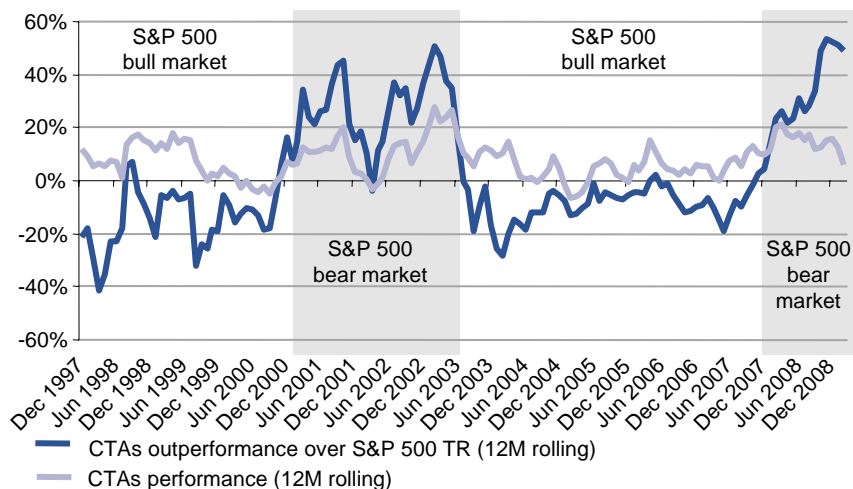


Hedge Funds

House View

- **Performance:** Hedge fund performance was relatively flat in 1Q09 as wide-spread defensive positioning led to de-coupling from equity market performance.
- **Redemptions:** Investors pulled USD 25bn from hedge funds in February (Eurekahedge) after redeeming USD 75bn in Jan. (TrimTabs) indicating that redemption pressures are easing. However, we anticipate redemptions will continue into 2Q09. Scandals and reduced liquidity seem to be the dominant driver of redemptions for now (rather than performance). However, a number of institutional investors intend to increase hedge fund allocations through 2009.
- **Regulation:** U.S. and Europe will likely move to stronger oversight of HFs. Given the recent scandals this may well be in the interest of HF investors who seek greater transparency and more shelter from operational risk. Increased regulation will accelerate the convergence of the mutual and HF industries (towards mutual funds, e.g. extended supply of UCITS III funds in Europe).
- **Strategies vs. Managers:** Manager selection has become more important than strategy selection (due to individual liquidity terms and the high degree of return dispersion).

CTAs: Significant Diversification Potential Versus Equities



Sources: Bloomberg, Edhec, Deutsche Bank Global Investment Solutions; all returns in USD
 April 2009: Global Investment Committee – Investment Strategy Group

Investment Recommendations & Topics

Managers:

- Prefer managers with low leverage and high degree of liquidity/flexibility.
- Managers with sufficient liquidity (and therefore a higher degree of flexibility) will be able to generate higher profit from investment opportunities once markets recover.
- Diversification among managers remains important in order to minimize manager selection risk.

Strategies:

- Equity-related HFs: Prefer defensive or trading oriented managers (e.g. defensive long/short equity funds or equity market neutral funds).
- CTAs are an attractive instrument to hedge against a deterioration of the capital market (see chart); moreover, CTAs are likely to capture upward trends on capital markets.
- Distressed debt investments increasingly attractive
 - Potential funds should have sufficient liquidity in order to be able to benefit from market opportunities at the right time.
 - Distressed debt funds may be less liquid than other strategies.
- Fixed income arbitrage funds are not attractive due to high individual fund risk, high funding costs and risk of additional liquidity shocks.

Investment vehicles:

- Managed accounts as an increasingly attractive vehicle to gain hedge fund exposure (high degree of liquidity and transparency, minimized operational risk as assets are separated from hedge funds).

Past performance is not indicative of future results.



Real Estate & Infrastructure

House View

■ Public real estate

Given the high correlation between REITs and equities, the recent “bear market rally” has helped REITs to rise 21% (FTSE EPRA/NAREIT index in USD, as of March 31) from March 9th lows (versus MSCI World +15%). However, we remain cautious in the near-term given the weak underlying fundamentals and believe anticipated pullbacks in risky assets will negatively impact real estate securities.

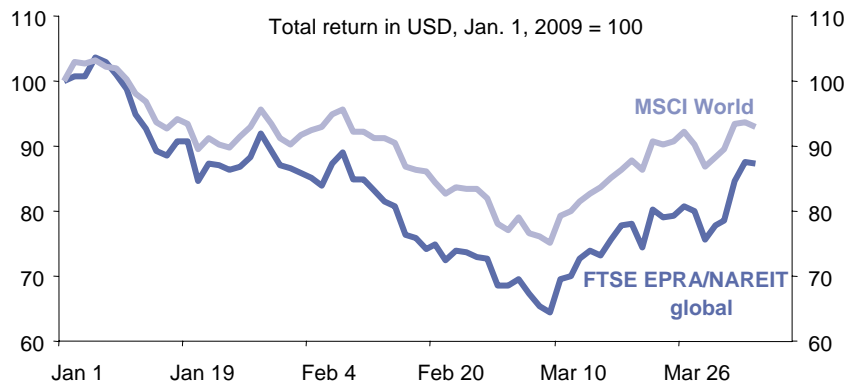
■ Private real estate

Ongoing tight credit conditions and weak fundamentals will result in lower real estate capital values. As a result, many global markets face falling rents and rising vacancies. However, the downward trend differs in magnitude and timing, so selectivity is crucial.

■ Infrastructure

Due to positive characteristics (e.g. long-term use, price regulation, high market entry barriers) and structural trends (rising population, under-investment in the past) we expect infrastructure to outperform. Strong impetus thanks to sweeping fiscal programmes in many countries.

Public RE: Improvement Alongside Equity Market



Source: T.R. Datastream

Investment Recommendations & Topics

■ Public real estate

- Stay patient. Public markets will likely anticipate the bottom in private markets, but we will look for a further pullback before adding exposure to the sector.
- In previous downturns, REITs recovered earlier than fundamental property markets. UK stocks likely to lead the recovery.
- Support from moderate valuations, but near-term risks remain skewed to the downside (e.g. refinancing problems, further depreciation of property values).
- Prefer property stocks with solid balance sheets (relatively low leverage) and high quality real estate portfolios, generating sustainable dividends.

■ Private real estate

- Prefer high-quality properties in stable markets (i.e. Germany, Austria, Australia). Cautious on Asian markets (shorter leasing terms) and Eastern Europe (weak fundamentals).
- Risk-averse investors should concentrate on income-producing core property in prime locations with relatively solid demand and low new supply and long-term leases.
- Chances arising for opportunistic investors in most advanced markets in the cycle: UK possible recovery in 2009. It is too early to enter the US at this time.

■ Infrastructure

- Attractive due to long-term investment story and additional impetus from fiscal policy. Green infrastructure (renewable energy) attractive.
- Private infrastructure (as long-term investment): Prefer income-producing assets over infrastructure development. Overweight infrastructure stocks and construction/engineering companies which will profit from huge fiscal programs.



IMPORTANT NOTICE

Private Wealth Management offers wealth management solutions for wealthy individuals, their families and select institutions worldwide. Deutsche Bank Private Wealth Management, through Deutsche Bank AG, its affiliated companies and its officers and employees (collectively “Deutsche Bank” or “DB”) have published this document in good faith and on the following basis. It has been prepared without consideration of the investment needs, objectives or financial circumstances of any investor. Before making an investment decision, investors need to consider, with or without the assistance of an investment adviser, whether the investments and strategies described or provided by Deutsche Bank, are appropriate, in light of their particular investment needs, objectives and financial circumstances. Deutsche Bank does not give taxation or legal advice. Investors should seek advice from their own taxation agents and lawyers, in considering investments and strategies suggested by Deutsche Bank.

Investments with Deutsche Bank are not guaranteed, unless specified. Unless notified to the contrary in a particular case, investment instruments are not insured by the Federal Deposit Insurance Corporation (FDIC) and are not traded on any regulated market. Investments are subject to investment risk, including market fluctuations, regulatory change, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you might not get back the amount originally invested at any point in time.

Investments in Foreign Countries - Such investments may be in countries that prove to be politically or economically unstable. Furthermore, in the case of investments in foreign securities or other assets, any fluctuations in currency exchange rates will affect the value of the investments and any restrictions imposed to prevent capital flight may make it difficult or impossible to exchange or repatriate foreign currency.

Foreign Exchange/Currency - Such transactions involve multiple risks, including currency risk and settlement risk. Economic or financial instability, lack of timely or reliable financial information or unfavorable political or legal developments may substantially and permanently alter the conditions, terms, marketability or price of a foreign currency. Profits and losses in transactions in foreign exchange will also be affected by fluctuations in currency where there is a need to convert the product's denomination(s) to another currency. Time zone differences may cause several hours to elapse between a payment being made in one currency and an offsetting payment in another currency. Relevant movements in currencies during the settlement period may seriously erode potential profits or significantly increase any losses.

High Yield Fixed Income Securities - Investing in high yield bonds, which tend to be more volatile than investment grade fixed income securities, is speculative. These bonds are affected by interest rate changes and the creditworthiness of the issuers, and investing in high yield bonds poses additional credit risk, as well as greater risk of default.

Hedge Funds - An investment in hedge funds is speculative and involves a high degree of risk, and is suitable only for "Qualified Purchasers" as defined by the US Investment Company Act of 1940 and "Accredited Investors" as defined in Regulation D of the 1933 Securities Act. No assurance can be given that a hedge fund's investment objective will be achieved, or that investors will receive a return of all or part of their investment.

Commodities - The risk of loss in trading commodities can be substantial. The price of commodities (e.g., raw industrial materials such as gold, copper and aluminum) may be subject to substantial fluctuations over short periods of time and may be affected by unpredicted international monetary and political policies. Additionally, valuations of commodities may be susceptible to such adverse global economic, political or regulatory developments. Prospective investors must independently assess the appropriateness of an investment in commodities in light of their own financial condition and objectives. Not all affiliates or subsidiaries of Deutsche Bank Group offer commodities or commodities-related products and services.



IMPORTANT NOTICE

Investment in private equity funds is speculative and involves significant risks including illiquidity, heightened potential for loss and lack of transparency. The environment for private equity investments is increasingly volatile and competitive, and an investor should only invest in the fund if the investor can withstand a total loss. In light of the fact that there are restrictions on withdrawals, transfers and redemptions, and the Funds are not registered under the securities laws of any jurisdictions, an investment in the funds will be illiquid. Investors should be prepared to bear the financial risks of their investments for an indefinite period of time.

Investment in real estate may be or become nonperforming after acquisition for a wide variety of reasons. Nonperforming real estate investment may require substantial workout negotiations and/ or restructuring. Environmental liabilities may pose a risk such that the owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on, about, under, or in its property. Additionally, to the extent real estate investments are made in foreign countries, such countries may prove to be politically or economically unstable. Finally, exposure to fluctuations in currency exchange rates may affect the value of a real estate investment.

The document is provided as general information only and consequently may not be complete or accurate for your purposes. It is not intended as financial advice or as an offer or recommendation of securities or other financial products. While the information is updated from time to time, it is subject to changes in the intervening period. All the financial services and product classes referred to in this document may not be available in all locations or to all Deutsche Bank Private Wealth Management clients.

This document has been prepared by Deutsche Bank Private Wealth Management for discussion purposes only. This material was not produced, reviewed or edited by any research department within DB and is not investment research. Therefore, laws and regulations relating to investment research do not apply to it. Any opinions expressed herein may differ from the opinions expressed by other DB departments including the research departments. DB may engage in transactions in a manner inconsistent with the views discussed herein. DB trades or may trade as principal in the instruments (or related derivatives), and may have proprietary positions in the instruments (or related derivatives) discussed herein. DB may make a market in the instruments (or related derivatives) discussed herein.

This presentation contains forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models and hypothetical performance analysis. The forward looking statements expressed constitute the author's judgement as of the date of this material. Forward looking statements involve significant elements of subjective judgements and analyses and changes thereto and/or consideration of different or additional factors could have a material impact on the results indicated. Therefore, actual results may vary, perhaps materially, from the results contained herein. No representation or warranty is made by Deutsche Bank as to their reasonableness or completeness of such forward looking statements or to any other financial information contained herein.

This document does not constitute an offer, an invitation nor a recommendation to enter into any transaction. It does not qualify, or is similar to a prospectus according to art 652a, 752 and 1156 of the Swiss Code of Obligations.

The manner of circulation and distribution of this brochure may be restricted by law or regulation in certain countries. Your local Deutsche Bank Private Wealth Management office will be able to provide more information.

“Deutsche Bank” means Deutsche Bank AG and its affiliated companies.

