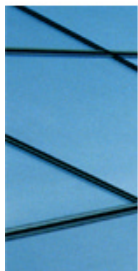


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# Deutsche Bank – Commodities and ETFs

Presented to the Capital Link Forum  
5<sup>th</sup> Annual Closed-End Funds and Global ETF Conference  
Metropolitan Club – New York, NY

April 20, 2006



A Passion to Perform.

Deutsche Bank 

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## Agenda

- **Why Commodities (Commodities as an Asset Class)**
- **Traditional Commodity Wrappers**
- **The Marketplace Today**
- **DBC - DB Commodity Index Tracking Fund**

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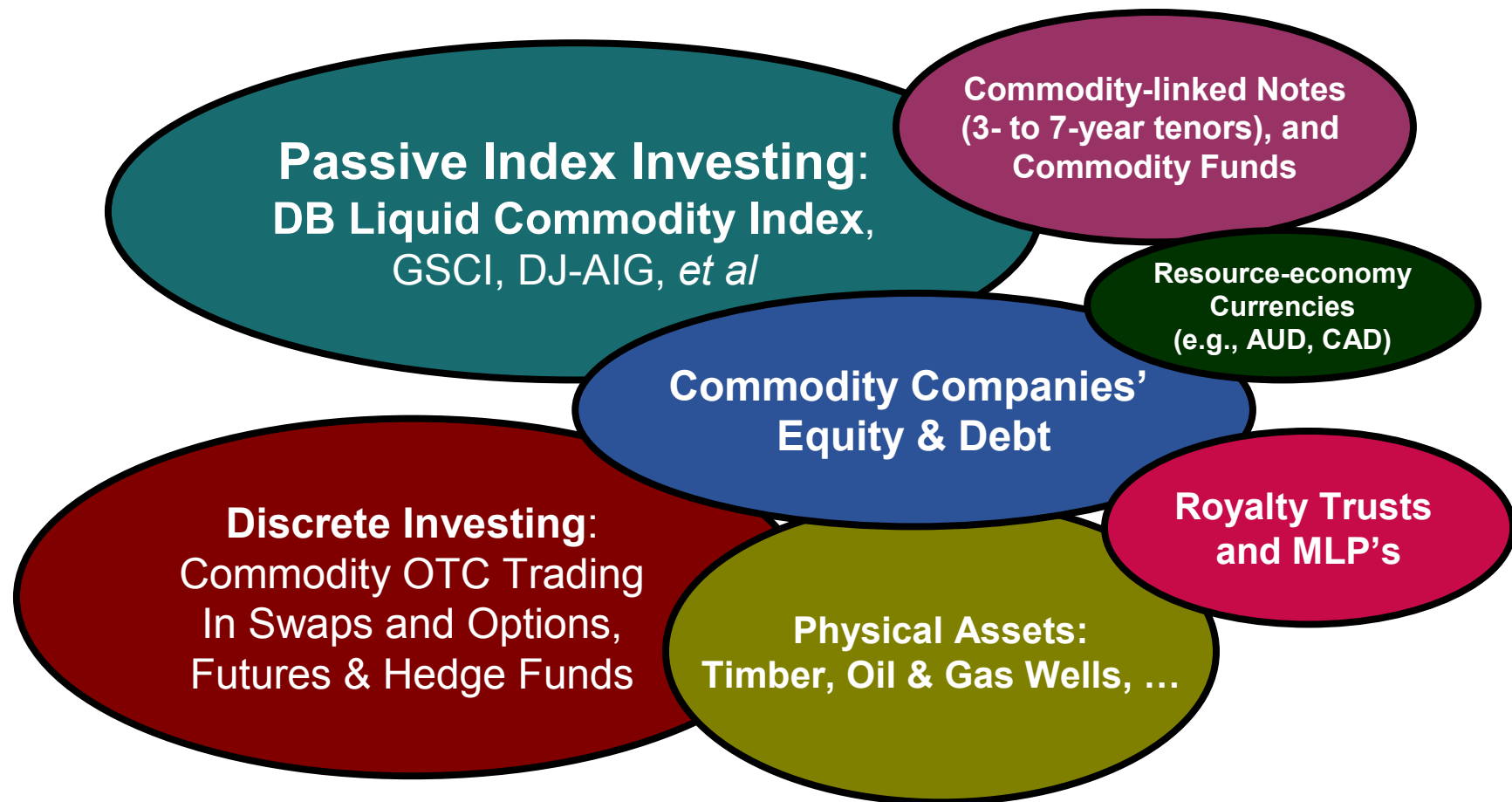
## Commodities as an Asset Class - Historical Perspective

**Over the past 45 years, commodities had<sup>1</sup>:**

- Returns comparable to the return on the S+P 500
- Both commodities and equities outperformed bonds over this period
- Commodities and equities had higher volatility than bonds, although commodity volatility is slightly less than that of equities
- Commodity risk premium has been roughly equal to equities', and more than double that of bonds
- Commodity returns are positively skewed; equities are negatively skewed
- Negative correlation with the return on the S+P 500 and long-term bonds, which increases as the holding period increases
- Positive correlation with inflation (CPI), which increases as the holding period increases
- Opposite exposure to inflation compared to equities and debt
- Stocks and bonds are negatively correlated with inflation

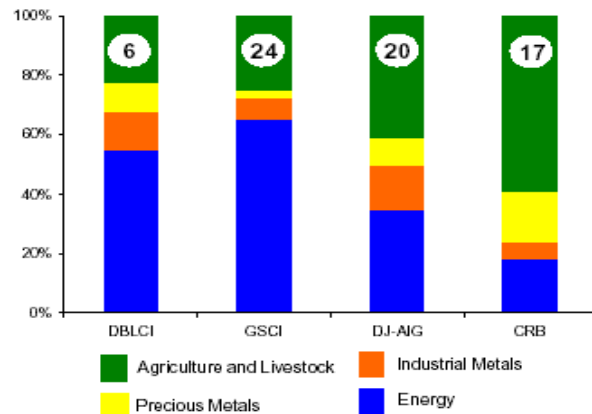
<sup>1</sup> See National Bureau of Economic Research Working Paper Working Paper 10595 (<http://www.nber.org/papers/w10595>) "Facts and Fantasies about Commodity Futures," by Gary Gorton of the Wharton School and the NBER, and K. Geert Rouwenhorst of Yale's School of Management (February 28, 2005, revised).

## Traditional Commodity Wrappers



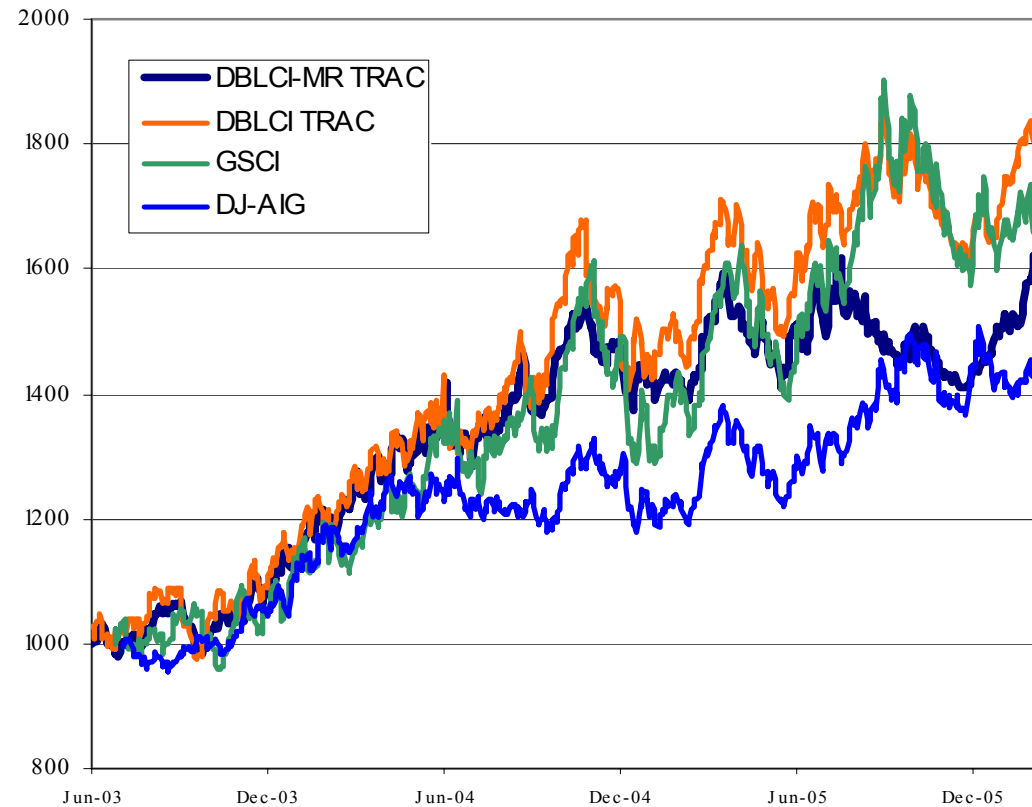
# The Marketplace Today

Number of Components per Index



*DB's Commodity Index Suite offers simple and efficient access to six of the most liquid and actively traded commodity markets in the world...*

Benchmark Indices



Sources: Bloomberg and Deutsche Bank Global Research

## The Marketplace Today – DB's Products

- The **DB Liquid Commodity Index (DBLCI)** is composed of six commodities, which represent the most liquid commodities in their respective sectors, weighted to broadly reflect global production and consumption
- The **DBLCI – MR** uses a simple algorithm to capture mean reversion (MR) in commodity prices
- For both the DBLCI and DBLCI – MR, index values are calculated using the settlement prices of these liquid futures contracts every business day
- Investors are made long the index and liquidate their investments basis the closing values
- The **DBC** is the ETF traded on a US stock exchange that tracks the DBCLI. It is the only commodity index tracker in the US market.

		<u>Base<sup>1</sup></u>	<u>DBLCI<sup>2</sup></u>	<u>DBLCI-MR<sup>3</sup></u>
<b>ENERGY</b>	WTI	35.00%	33.31%	5.02%
	Heating Oil	20.00%	18.02%	1.57%
<b>INDUSTRIAL METALS</b>	Aluminium	12.50%	15.07%	10.84%
<b>PRECIOUS METALS</b>	Gold	10.00%	11.47%	6.43%
<b>AGRICULTURE</b>	Wheat	11.25%	11.01%	32.40%
	Corn	11.25%	11.13%	43.74%

<sup>1</sup> These are the base weights of the DBLCI and DBLCI-MR

<sup>2</sup> As the energy contracts are rolled monthly, these weights will change. The DBLCI is re-balanced to its base weights Nov. 1 annually.

<sup>3</sup> Source: Reuters page DBLCI, 14 April 2006

## The Marketplace Today – How we size up. (annualized quarterly returns: March92 – Dec05)

Key Statistics	DBLCI	DBLCI-MR	GSCI <sup>1</sup>	DJ-AIG	PEP <sup>2</sup>	USG	REP <sup>3</sup>	R3K	MSCI	NASDAQ 100	SP 500
Alpha <sup>4</sup>	11.41%	9.75%	7.16%	6.56%	5.14%	3.89%	1.16%	0.00%	-1.07%	-0.35%	0.14%
Sharpe Ratio	54.46%	47.65%	29.59%	43.60%	84.23%	62.05%	82.98%	50.27%	34.00%	42.43%	50.86%
Excess Return <sup>5</sup>	9.63%	8.11%	5.63%	5.55%	12.86%	3.08%	1.02%	7.92%	5.72%	13.90%	7.77%
Volatility	17.69%	17.03%	19.01%	12.72%	15.27%	4.97%	1.23%	15.76%	16.81%	32.75%	15.27%
<b>Correlation Matrix</b>											
DBLCI	100.0%										
DBLCI-MR	90.7%	100.0%									
GSCI	90.5%	73.6%	100.0%								
DJ-AIG	85.1%	73.9%	90.3%	100.0%							
PEP	-20.7%	-19.1%	-17.4%	-16.7%	100.0%						
USG	-9.8%	-8.2%	-4.8%	-11.6%	-32.5%	100.0%					
REP	21.8%	15.9%	27.9%	32.3%	-25.3%	-9.7%	100.0%				
RUSSELL 3000 (R3K)	-19.6%	-18.9%	-16.0%	-15.8%	99.4%	-32.3%	-22.0%	100.0%			
MSCI	-4.5%	-4.8%	-1.9%	6.4%	80.5%	-36.3%	-0.8%	80.6%	100.0%		
NASDAQ 100	-14.9%	-13.2%	-15.3%	-18.8%	84.6%	-36.9%	-16.0%	86.0%	67.8%	100.0%	
SP 500	-20.7%	-19.1%	-17.4%	-16.7%	100.0%	-32.5%	-25.3%	99.4%	80.5%	84.6%	100.0%

<sup>1</sup> GSCI = Goldman Sachs Commodity Index (© 2005 Goldman, Sachs & Co. Used with Permission)

<sup>2</sup> PEP = Private Equity Proxy (S+P 500 +5%)

<sup>3</sup> REP= Real Estate Proxy (CPI + 2%)

<sup>4</sup> This is the regression alpha in the following estimator of excess returns:

$$r_p - r_f = a_p + b(r_m - r_f), \text{ where}$$

$a_p$  = intercept term of regression

$$b = \text{corr}(p, m) * \text{stdev}(p) / \text{stdev}(m)$$

( $r$  = return,  $p$  = portfolio,  $m$  = market (R3K),  $f$  = risk-free rate)

See Sharpe, William F., and Alexander, Gordon J., "Investments" (Prentice Hall, 4th ed., 1992), pp. 746-747.

<sup>5</sup> Excess Return is measured v. 3-month US Treasuries

Note: R3K = Russell 3000

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## DBC – The DB Commodity Index Tracking Fund

- The first commodity-index-linked fund to be listed on a US stock exchange.
- A commodity pool managed by DB Commodity Services LLC, a commodity pool operator registered with the Commodity Futures Trading Commission and the National Futures Association.
- Broker-dealers (authorized participants) can create and redeem baskets of DBC shares on an ongoing basis.
- Intra-day indicative index levels and NAV published every 15 seconds throughout each trading day on the consolidated tape.
- Tracks the performance of the Deutsche Bank Liquid Commodity Index™ - Excess Return (DBLCI).
- Invests in exchange traded futures and US T-bills (interest accrues to the benefit of the shareholder).

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