

Private Wealth Management

Deutsche Bank

**Can the Global Recovery Sustain Its Momentum?
Outlook for the Global Economy and Asset Classes**

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November 5, 2009



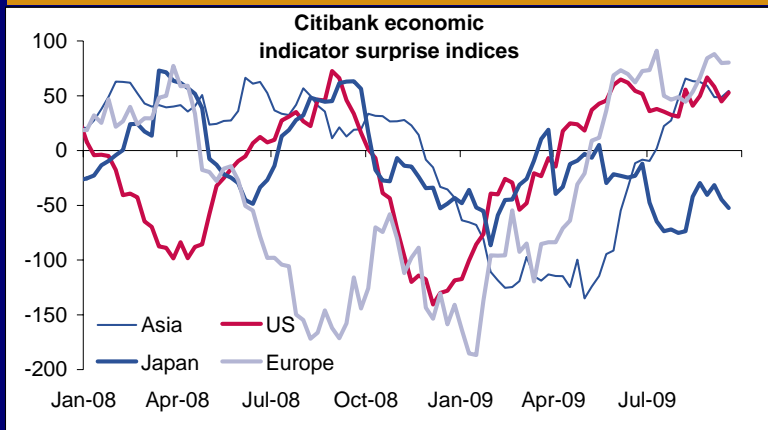
Topics for discussion

- Global Economy
 - Growth
 - Inflation
- Currencies
- Equities
- Fixed Income
- Alternative Investments
 - Commodities
 - Real Estate
 - Hedge Funds
 - Private Equity
- Investment Strategy and Forecasts



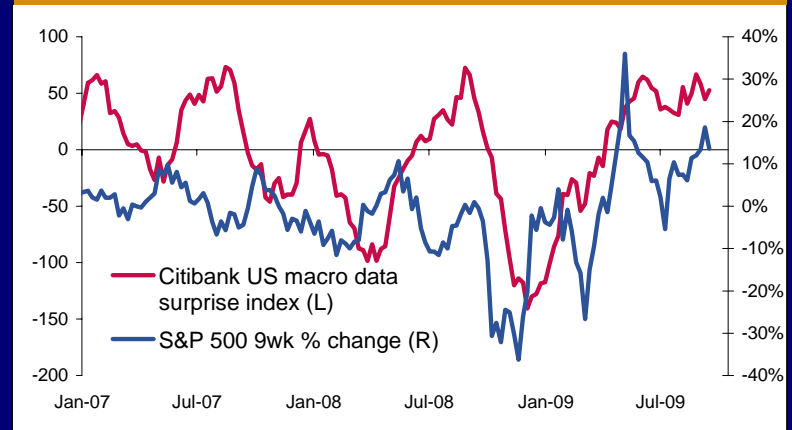
Big picture: Economic data keeps improving

Most regions surprising on the upside



Source: Bloomberg Finance LP, DB Private Wealth Management

Stocks tend to follow surprises



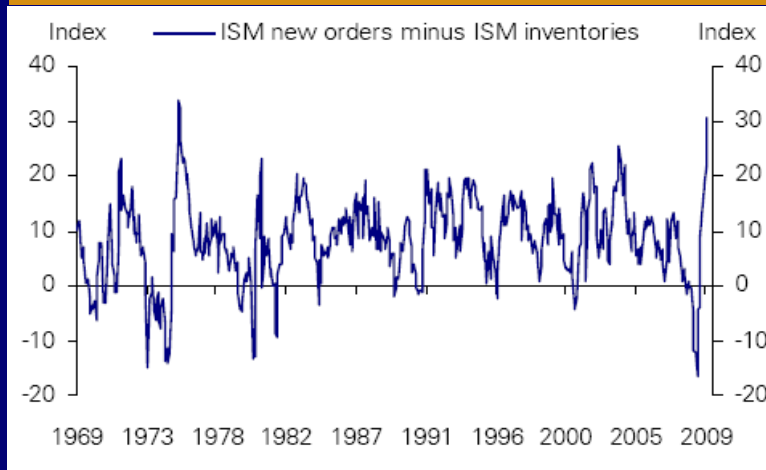
Source: Bloomberg Finance LP, DB Private Wealth Management

- With the exception of Japan, economic indicators in most regions are exceeding market estimates.
- U.S. gross domestic product rose by a higher-than-expected seasonally adjusted 3.5% annual rate through July. The gain was driven by consumer spending, which rose by 3.4% in the third quarter, compared with a 0.9% drop in the April-to-June period. Consumer spending contributed 2.36 percentage points to GDP growth. Retail sales and industrial production have come in above analyst estimates, yet inflation remains subdued.
- In Europe, trade handily beat estimates as exports rose.
- The Chinese economy continues to fuel growth in Asia.



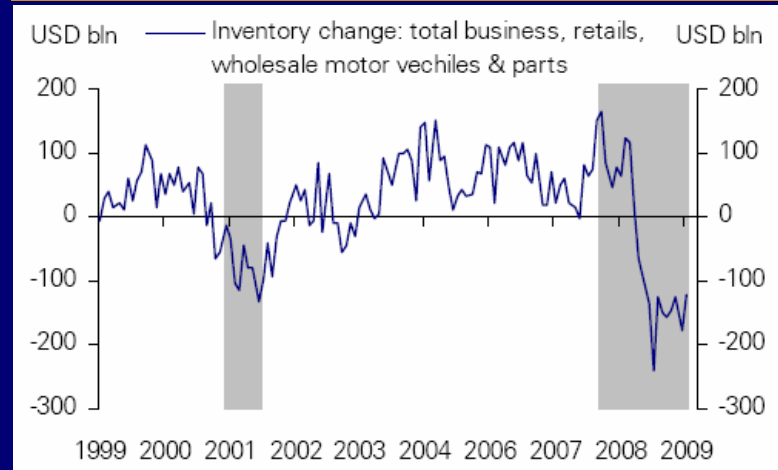
U.S. growth: Business led recovery

Strong reduction of inventories



Source: Deutsche Bank Global Markets

Rising orders and low inventories



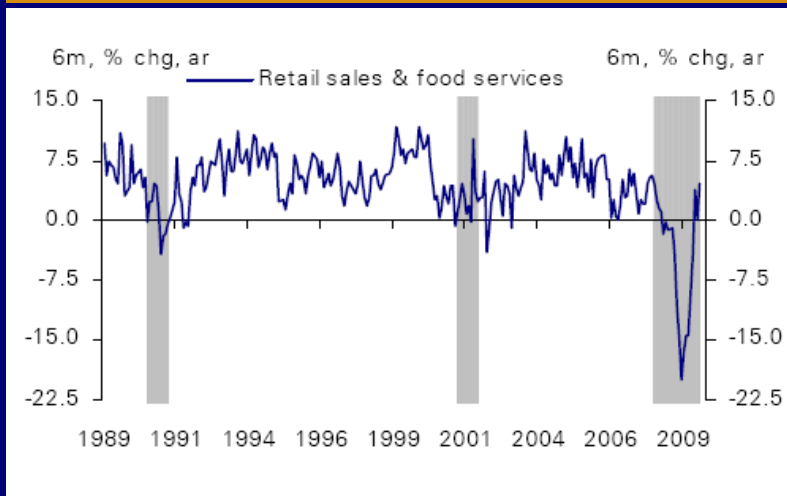
Source: Deutsche Bank Global Markets

- The pace of inventory liquidation has started to slow.
- The ratio of orders to inventories should lead to increasing industrial production.



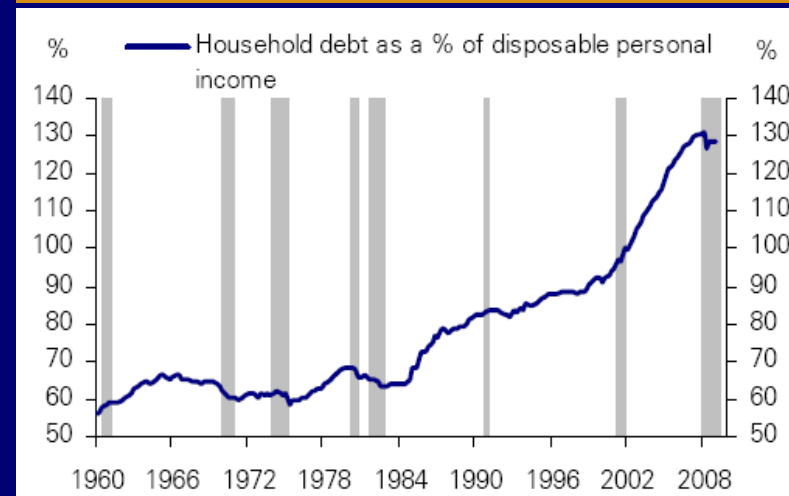
Consumption bolstered by fiscal stimulus

Significant impact from auto sales



Source: Deutsche Bank Global Markets

High household debt dampens



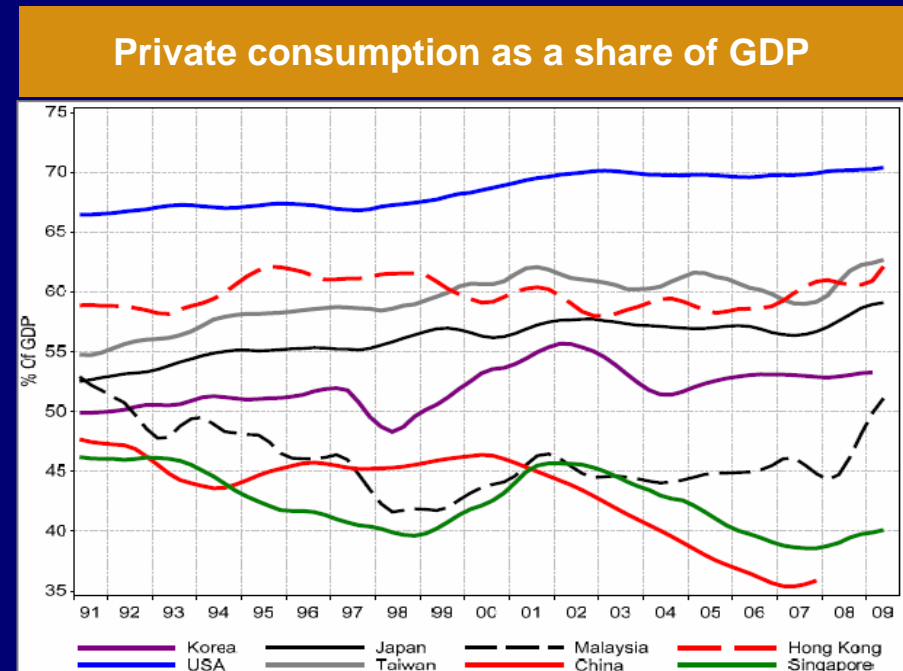
Source: Deutsche Bank Global Markets

- Auto sales drove consumption (“cash for clunkers”).
- Deleveraging in the private sector has dampened consumption, a trend that is likely to continue.



Slowing consumption in the U.S. may be partially offset by increases in Asia

- Asian consumption should increase as countries are urbanized.
- It will take time for the structural shifts to unfold.
- By pure size the Chinese consumer cannot completely compensate for his U.S. counterpart.
 - U.S. is a \$14.2 trillion economy with 70% private consumption.
 - China is a \$3.9 trillion economy with 35% private consumption.



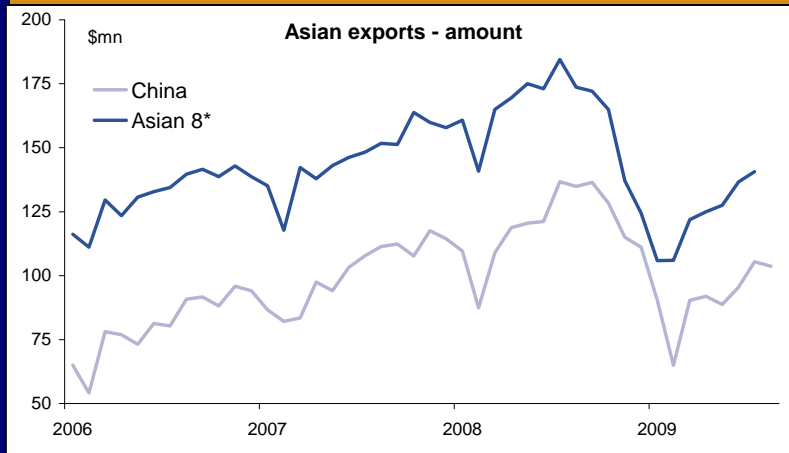
Source: GaveKal Research



Asian exports are improving

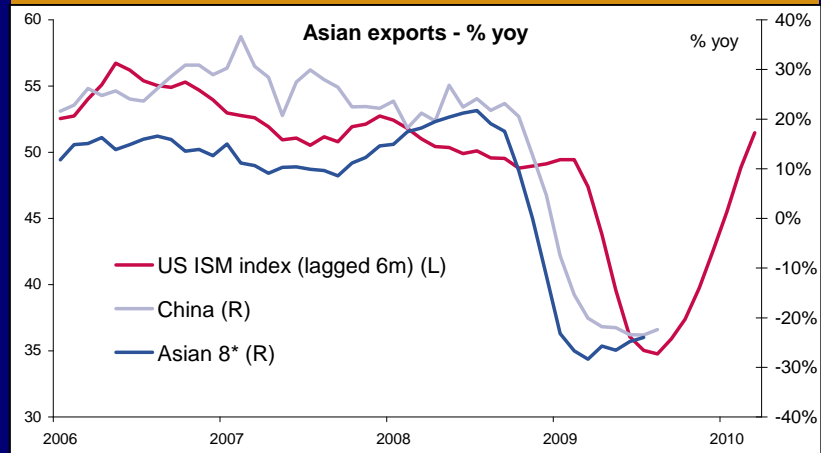
- Initially driven by China, exports are reviving broadly as the inventory cycle picks up steam and growth turns positive.
- The more widely watched year-over-year growth numbers are likely to turn positive and then climb into double-digit growth as the negative base effects from the post-Lehman collapse roll off.

Asian exports are recovering...



*Asia 8 = Hong Kong, Indonesia, Malaysia, Philippines, Korea, Singapore Taiwan, Thailand
Source: Bloomberg Finance LP, DB Private Wealth Management

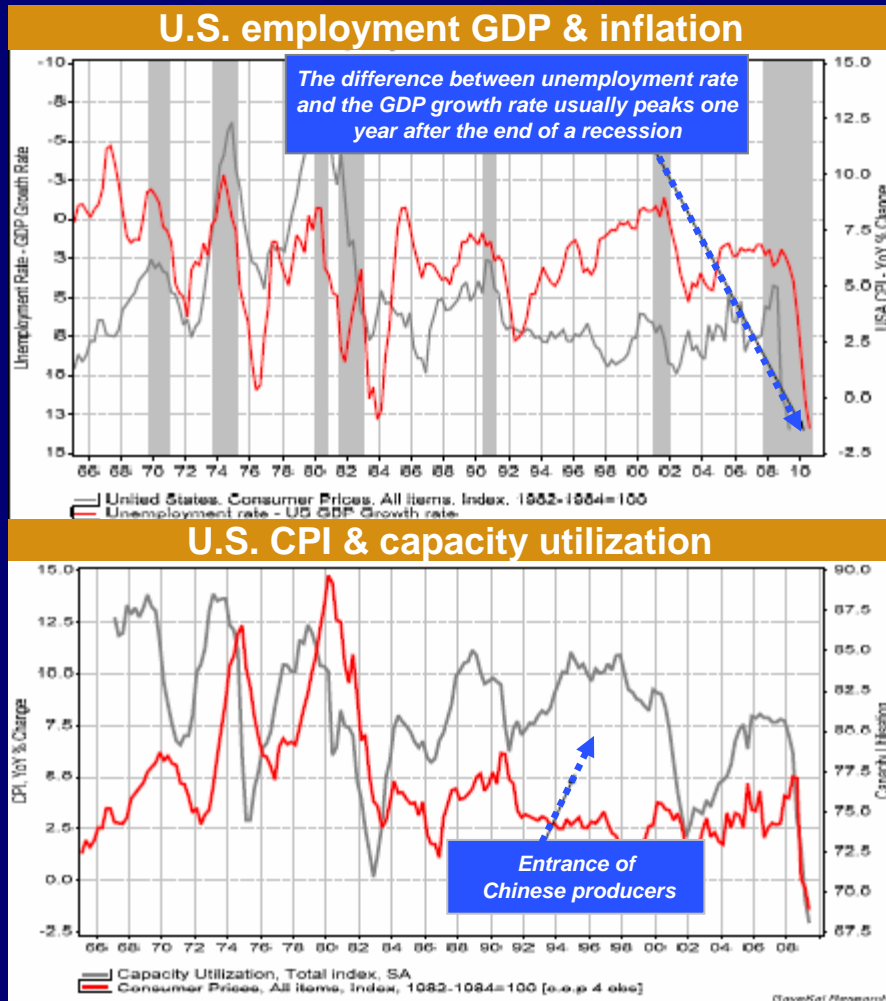
...but not reflected as yet year-to-date



Source: Bloomberg Finance LP, DB Private Wealth Management



Huge output gaps and high unemployment

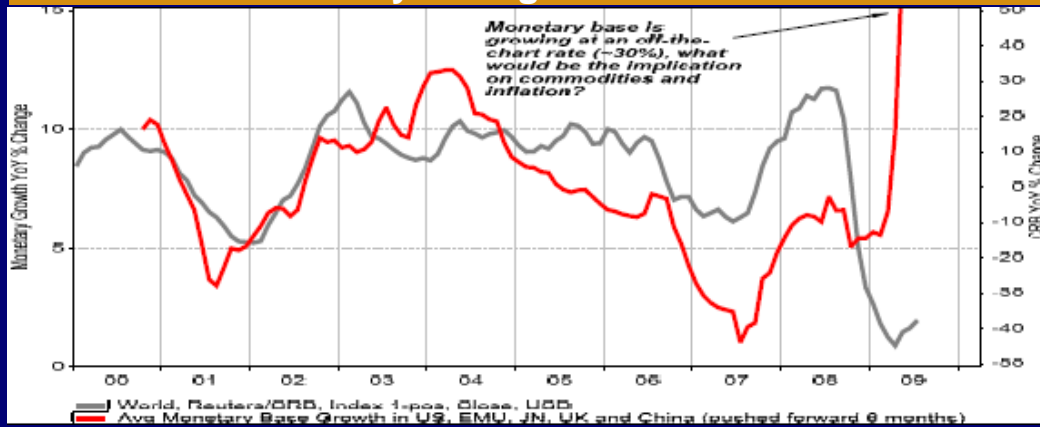


- Without a significant increase in wages or capacity utilization, cost-push inflation is unlikely.
- The OECD estimates output gaps will persist for the next five years. While this forecast likely underestimates future growth rates, it does highlight the extent of capacity underutilization.

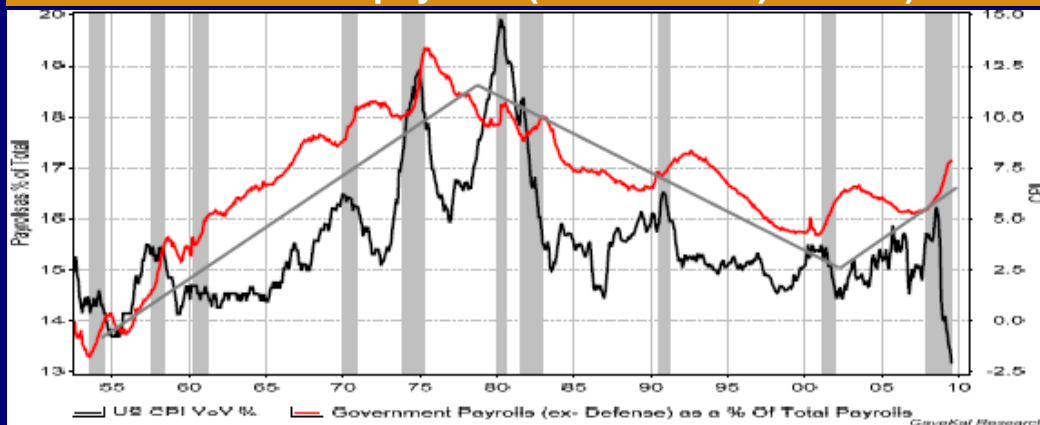


Inflation threats longer term

Global monetary base growth vs. commodities



Government payrolls (as % of total) vs. CPI



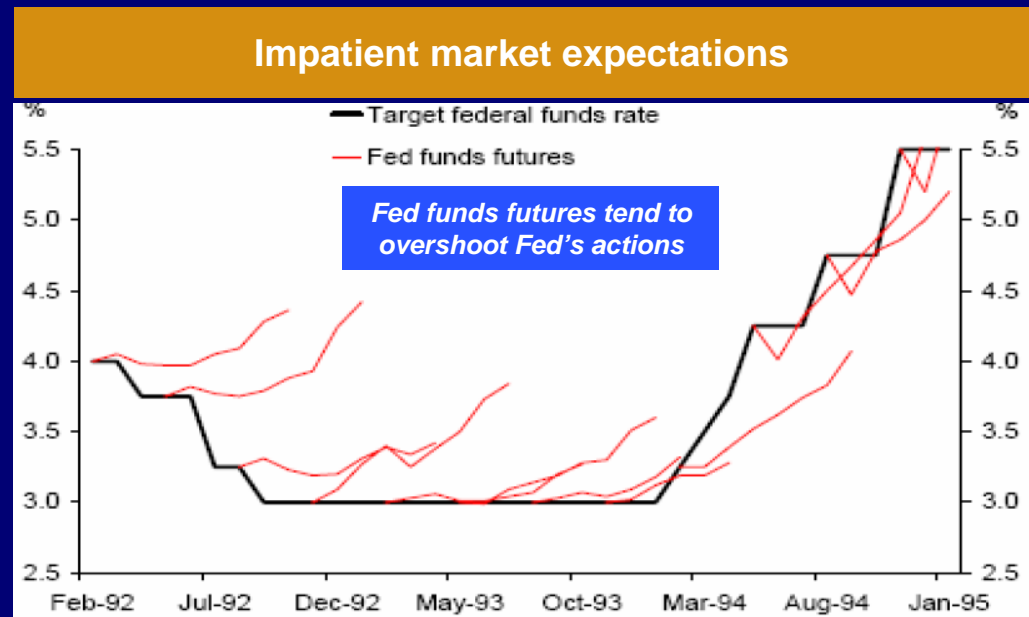
Source: GaveKal Research

- Excess money supply and aggressive spending by governments are the primary inflationary threats.
- Public employment (including military and national security hires) has been rapidly gaining ground on the private sector. If this trend continues, it is likely to result in lower productivity and higher prices –a perfect combination for stagflation.
- Three hedges against higher inflation (expectations) are gold, TIPS and real assets.



When will the Fed raise rates?

- Despite recent market expectations of a Fed hike by year-end, we believe the Fed will be on hold for much longer.
- This has been reinforced by the statements from the Fed that economic conditions are likely to warrant exceptionally low levels of the Federal funds rate for an extended period.



Data Source: FactSet, EcoWin. *DB Global Markets.



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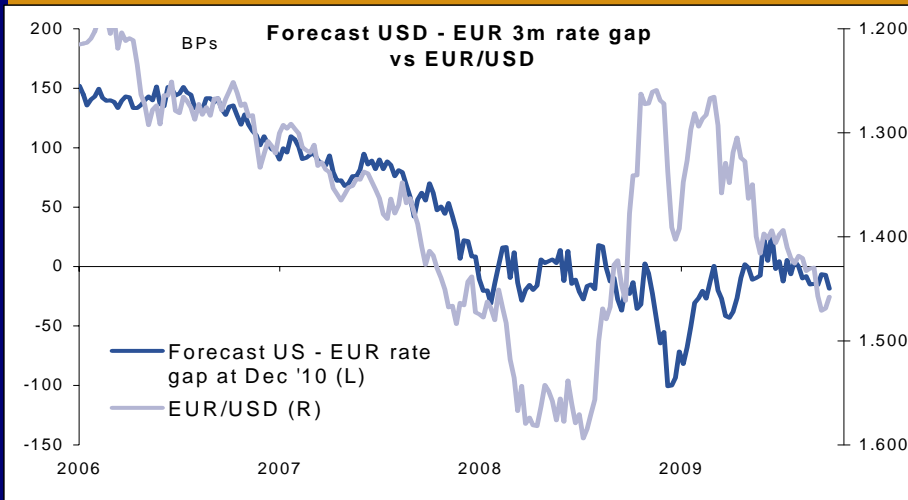
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Currencies



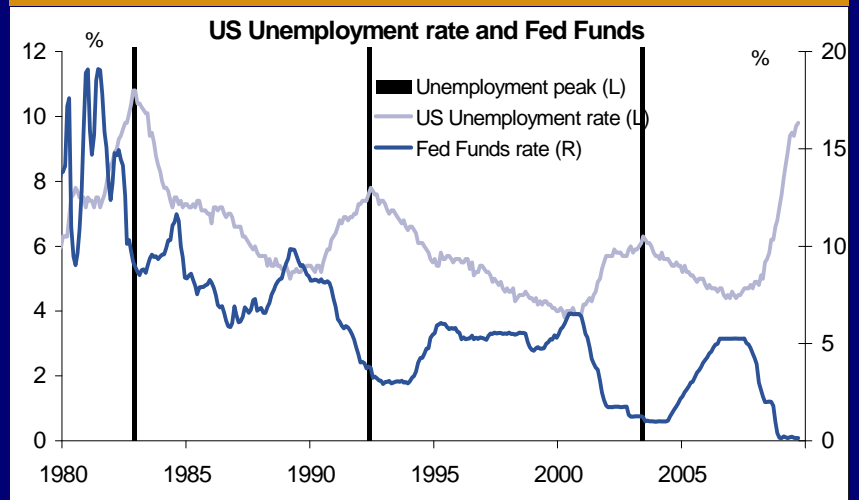
The U.S. dollar and interest rates

Market expects USD & EUR 3M rates to be equal



Source: Bloomberg Finance LP, DB Private Wealth Management

High U.S. unemployment = low USD rates



Source: Bloomberg Finance LP, DB Private Wealth Management

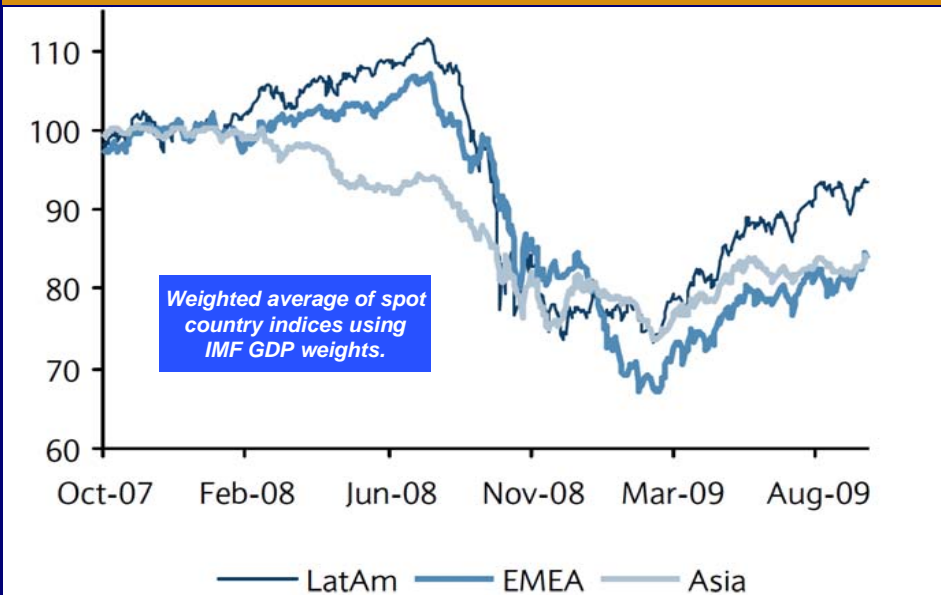
- We expect U.S. unemployment to peak around Q1 next year. The Fed has never tightened policy sooner than six months after unemployment peaked, suggesting the Fed is unlikely to tighten before Q3 next year, and probably later. The market is anticipating that the Fed will begin to tighten as early as May 2010.
- We expect the ECB will begin tightening rates in the third quarter of next year.



Emerging market currencies should continue to appreciate

- As monetary policy normalizes, we expect the broad appreciation trend of emerging market currencies to continue.
- Until year end, we do not expect significant trend reversals as low G3 yields should push investors into peripheral currencies.

Emerging market currencies: still room for recovery



Note: Weighted average of spot country GEMS indices using IMF GDP weights. LatAm: CLP, BRL, MXN; EMEA: TRY, ZAR, HUF, PLN, RUB; Asia: INR, IDR, KRW, PHP, THB. Source: IMF, Barclays Capital

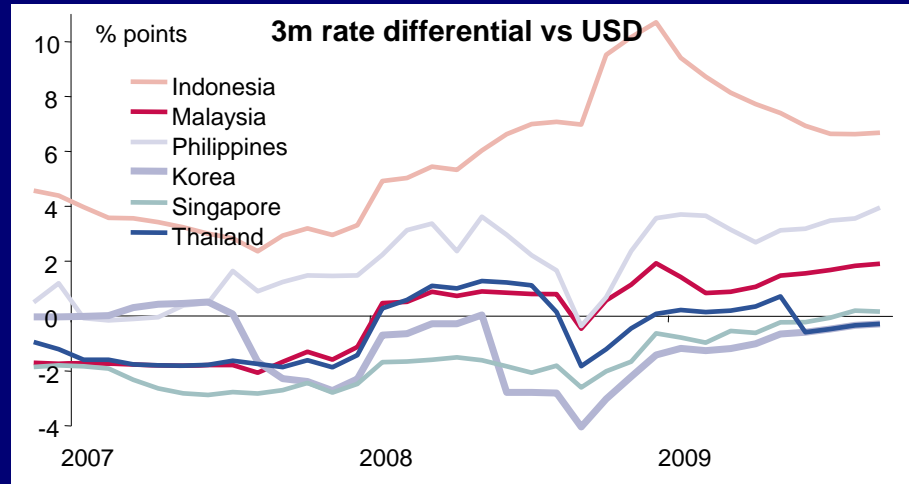
Source: IMF, Barclays Capital



Asian currencies set to strengthen further

- A lower output gap vis-a-vis the U.S., greater sensitivity to food and fuel price inflation and concerns about asset price bubbles should lead most Asian central banks to start hiking rates in Q1 or Q2 of next year, several months ahead of any tightening by the Fed.
- Local markets rates have already started to drift higher in response to higher month-on-month consumer prices and hawkish commentary by central banks.

Rate spreads in Asia are widening



Source: Bloomberg Finance LP, DB Private Wealth Management



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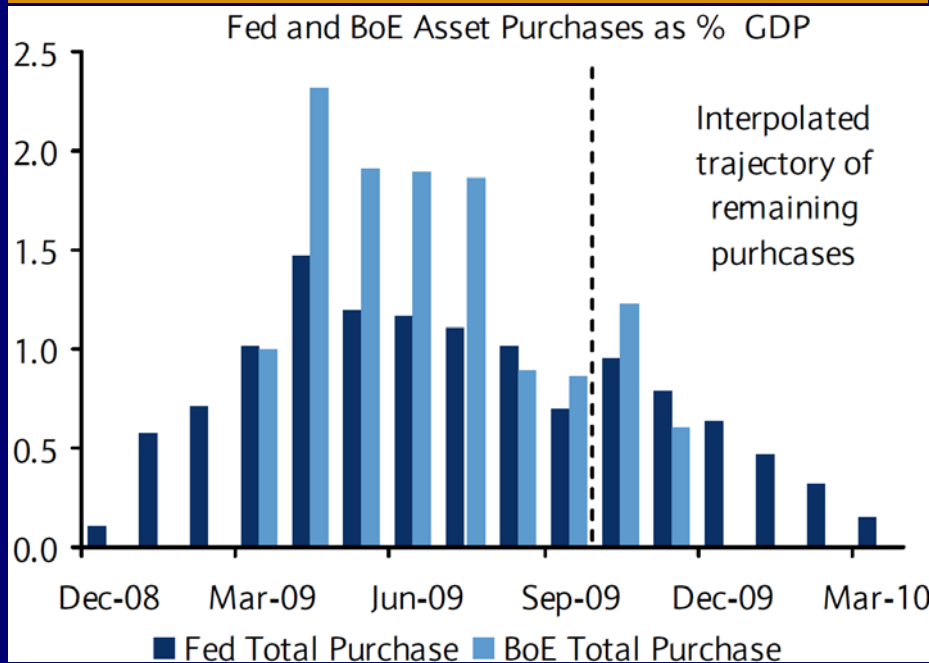
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Fixed Income



Government bonds: Range bound and unattractive at current levels

Quantitative easing purchases to taper off soon



Source: Bloomberg Finance LP, Deutsche Bank Global Investment Solutions

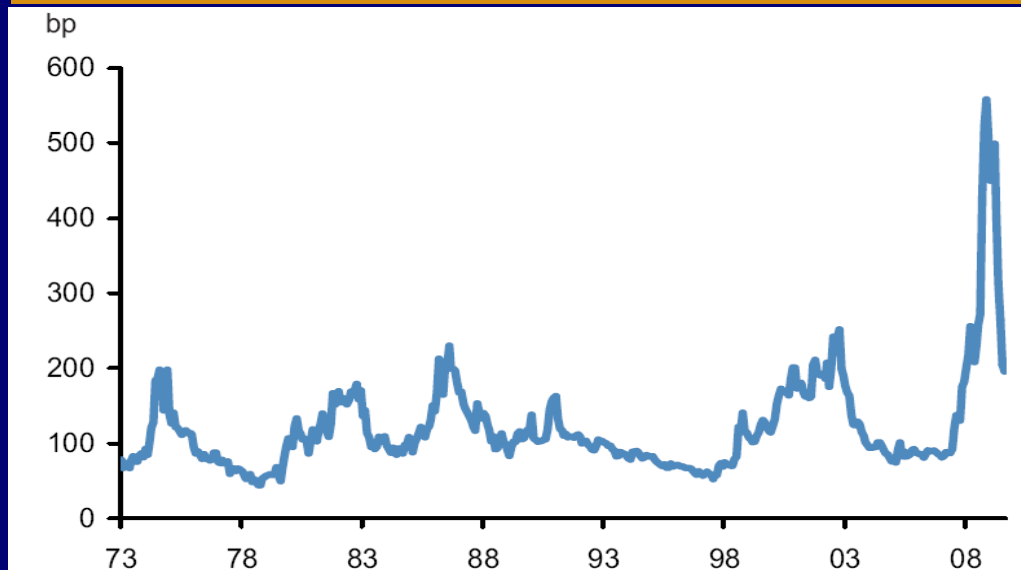
- U.S. Treasuries: range 3.00%–3.75%
 - The combination of high issuance and a strong growth bounce could re-ignite selling pressure.
 - With the compensating factor of quantitative easing coming to an end, there is upside risk especially for long-term rates as the effects of fiscal expansion become fully visible.



Corporate bond spreads: more gradual tightening

- Though corporates have performed well for more than six months, spreads are still elevated compared to previous cycles.
- Economic and credit fundamentals justify further, but much more gradual, spread tightening.
- Further gains depend more and more on stable Treasury yields. As soon as sovereign bonds yields drift higher, price gains may be very limited.

Yield spread Treasuries to investment grade corporate

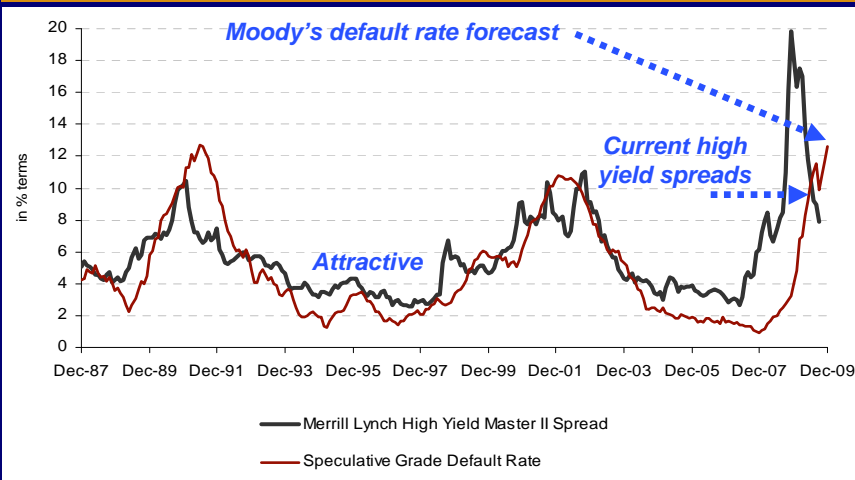


Source: JPMorgan, Barclays Capital



Better entry points for some fixed income sectors

Spreads indicate lower than forecasted default rate

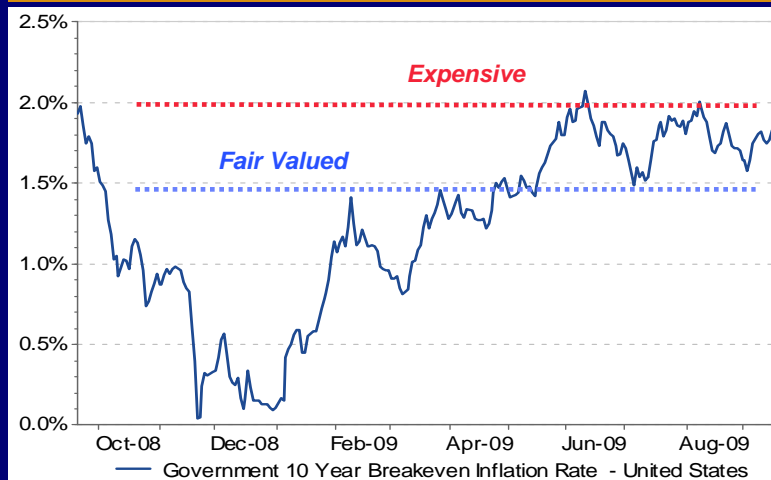


Data Source: FactSet, EcoWin.

- The current level of spreads has fallen well below Moody's expected default rate (12.6% by end of 2009).*
- While high yield bond spreads remain above historical averages, we believe better entry points may materialize.

*As of September 21, 2009.

TIPS fairly valued



Data Source: FactSet, EcoWin.

- Current 10-year inflation breakeven rates are priced at levels that we see as fairly valued for long-term investors.
- However, we expect there will be better entry points. We recommend investors use 1.50% and below as an entry point.



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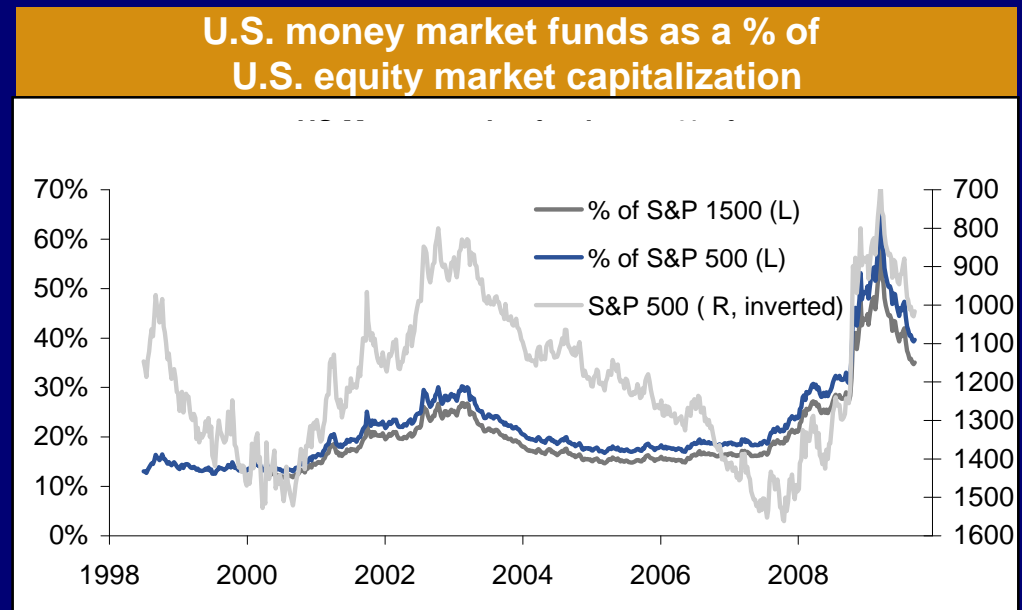
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Equities



A lot of money on the sidelines

- Currently there is approximately \$3.5 trillion in U.S. money market accounts. This is equal to 40% of the market capitalization of the S&P 500 or 35% of the broader S&P 1500.
- If this amount were to go back to the historical average of about 18%, then it would mean some \$1.7 trillion or 16% of the capitalization of the broader market possibly would be flowing into stocks (or other assets).

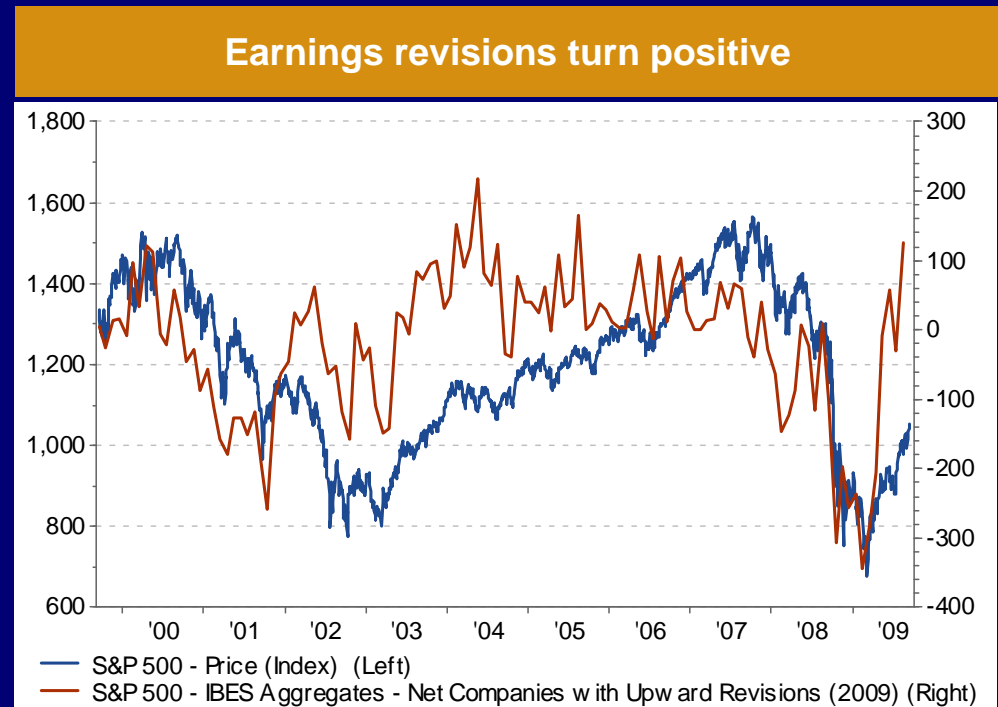


Source: Bloomberg Finance LP, DB Private Wealth Management



Earnings stabilizing

- Analysts have historically overestimated earnings in the midst of a recession. However, analysts often underestimate the positive impact of the recovery on earnings.
- Early signs of potential upward revisions are reflected in net revisions turning positive.

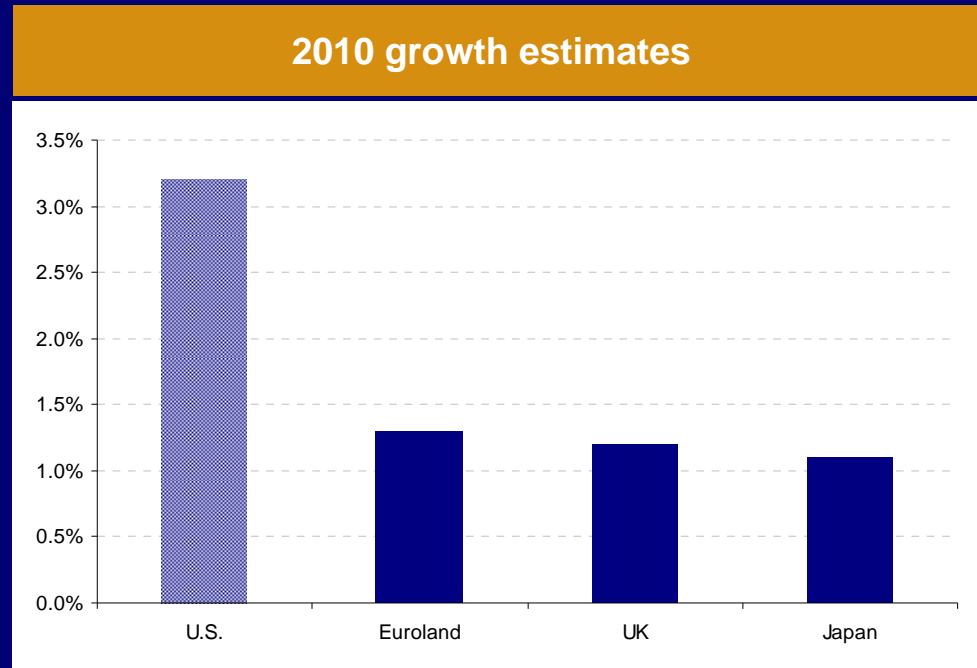


Source: FactSet, EcoWin.



The case for U.S. equities

- U.S. GDP is forecast to turn positive in the second half of next year and lead the developed market economies in growth in 2010. The bulk of the U.S. fiscal stimulus will be spent in 2010 which should benefit economic activity.
- Leading economic indicators rose 1% in September, the sixth consecutive month of increases, and U.S. factory productivity rose 1.2% in 2008, despite a huge drop in employment.
- The weak U.S. dollar will likely benefit export driven companies and will provide higher comparables for both economic and earnings growth.



Data Source: FactSet, EcoWin. *Deutsche Bank Global Markets forecasts.



Emerging markets positioned for growth

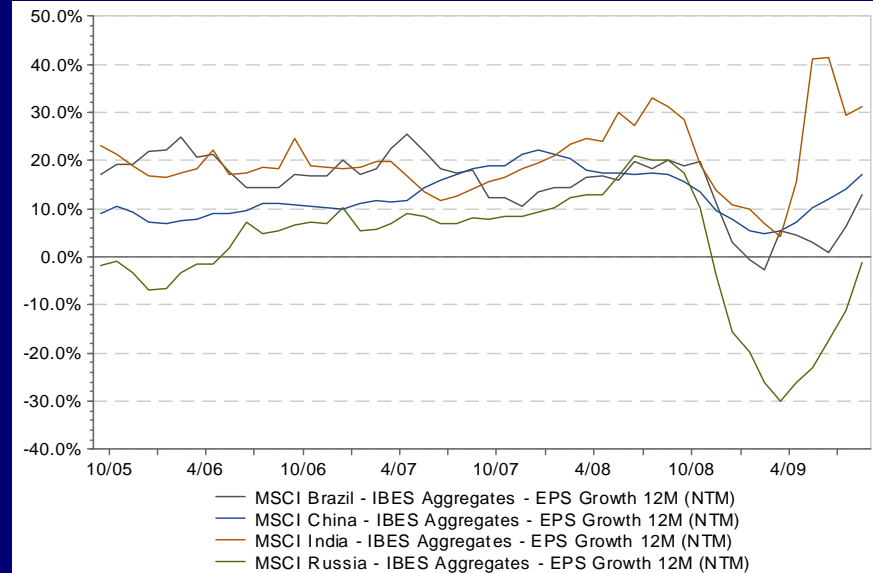
Strong economic growth expected

	New Growth Forecasts*	
	2009F	2010F
China	8.3	8.3
Asia ex-Japan	5.0	6.8
India	6.0	6.5
Singapore	-4.0	6.5
Taiwan	-4.2	5.2
Hong Kong	-2.5	5.0
Brazil	0.0	4.8
Thailand	-3.5	4.4
South Korea	-1.2	4.1
Indonesia	4.0	4.0
Malaysia	-3.0	4.0
Philippines	2.0	3.5
Russia	-6.4	2.3

Data Source: FactSet, EcoWin. *Sorted by 2010 growth estimates.
Deutsche Bank Global Markets.

- While emerging markets have been somewhat insulated by strong domestic demand, they are expected to gain further momentum as export demand improves.

Earnings growth rebound



Data Source: FactSet, EcoWin.

- Brazil, India and China have positive earnings growth estimates over the next 12 months.



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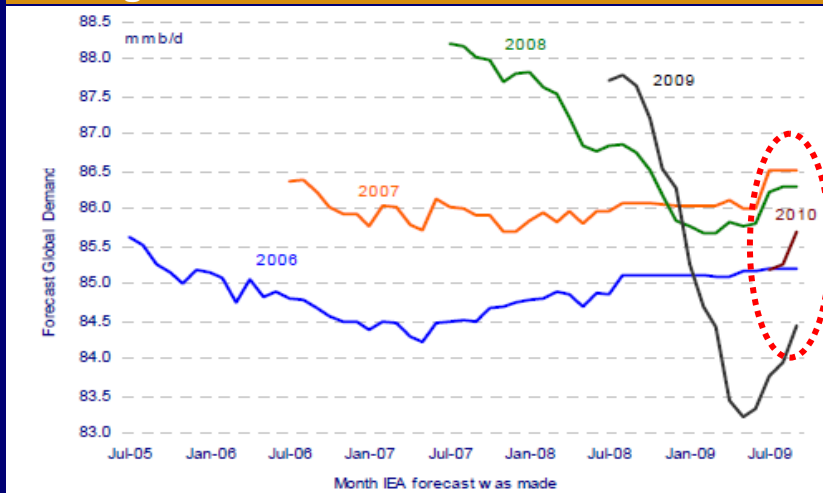
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Alternative Investments



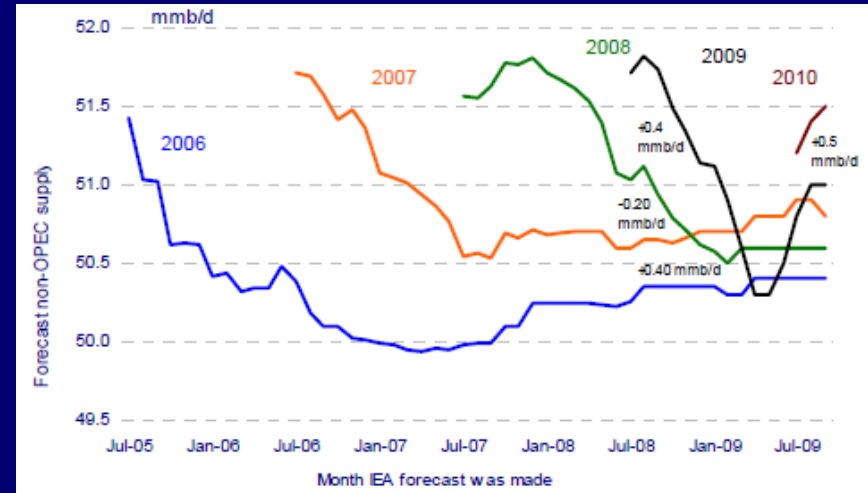
Oil: Trends in demand and supply

International Energy Agency (IEA) global oil demand forecast trends



Source: IEA, Deutsche Bank Global Markets

IEA Non-OPEC oil supply forecast trends



Source: IEA, Deutsche Bank Global Markets

- The IEA expects world oil consumption to grow in Q4 2009 against year-earlier levels. The IEA's projected world oil consumption rises by 0.91mmb/d in 2010, with relatively strong growth in non-OECD countries being partially offset by a slight decline in OECD consumption.
- The IEA says that non-OPEC supply estimates for 2009 and 2010 are expected to grow from 51.0mmb/d to 51.5mmb/d. For both years, upward revisions to Russia, China and the U.S. in particular, offset downward adjustments to the growth expected in Canada, Brazil and Europe.



Gold and the U.S. dollar

- The dollar continues to deteriorate versus major counterparts as investors favor gold, often viewed as the most stable currency.

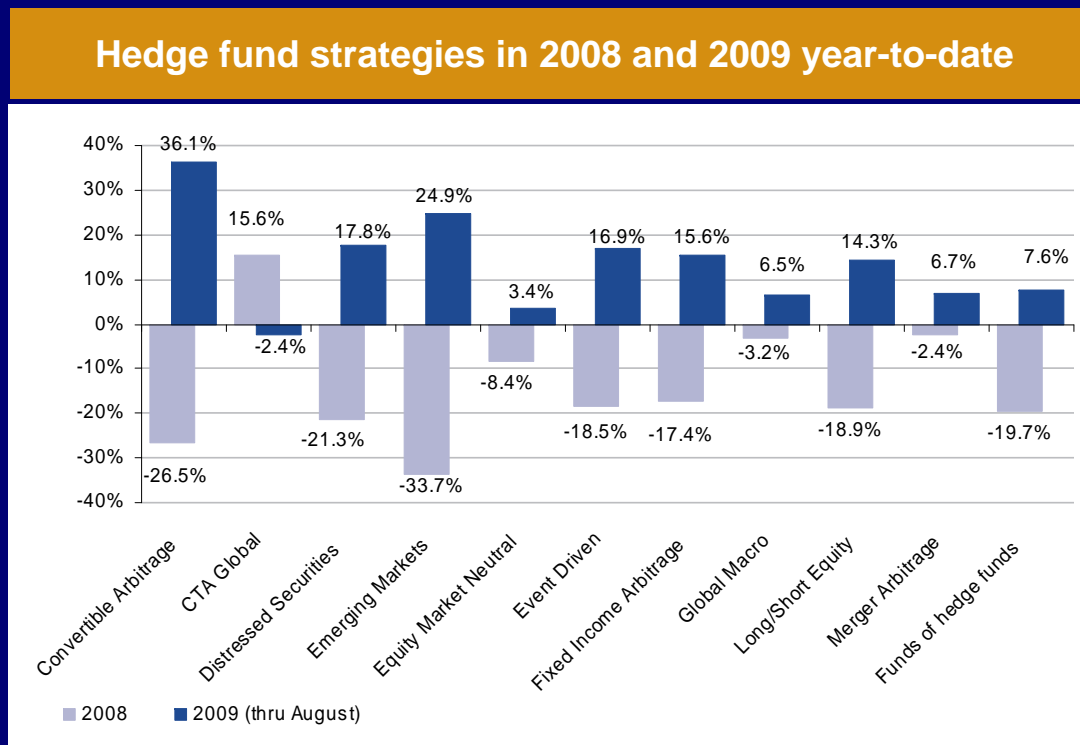


Source: Bloomberg Finance LP, Deutsche Bank Global Investment Solutions



Hedge funds: Last year's losers are this year's winners

- Hedge fund strategies which suffered heavy losses last year are the best performers this year as liquidity returned to credit markets and equities rallied on improved economic data.
- Our favored strategy is convertible arbitrage which suffered badly from deleveraging last year but benefited greatly from the return of liquidity to the convertibles market.



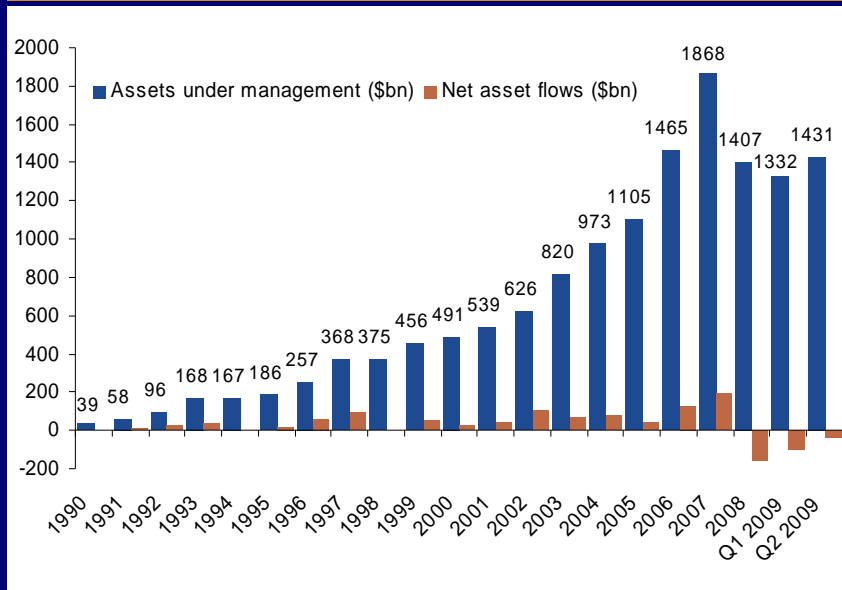
Source: EDHEC, HFR, Deutsche Bank Global Investment Solutions as of August 31, 2009



Assets under management have stabilized

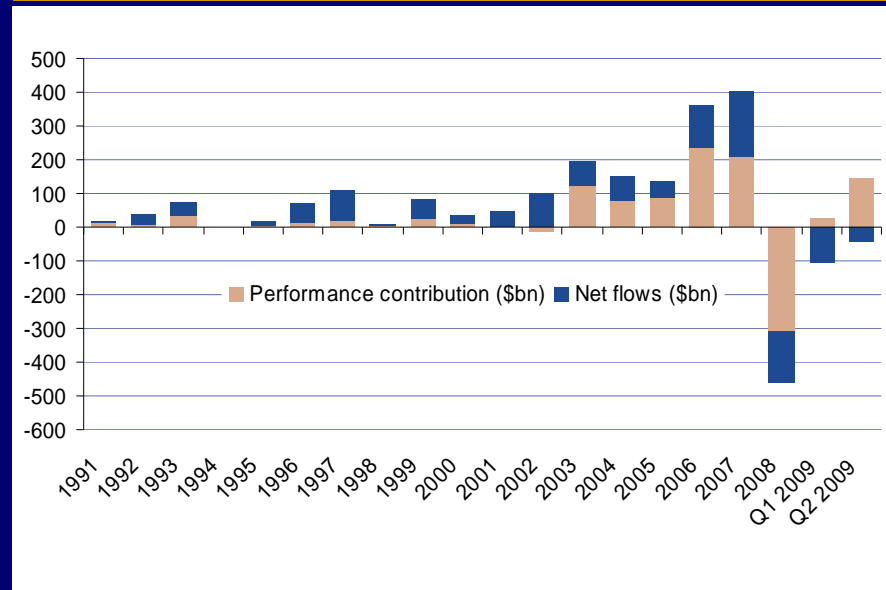
- As a sign of a return of confidence in the industry, hedge funds attracted a total net inflow of \$17.1 billion in July and August 2009.

Hedge fund assets under management



Source: HFR, Deutsche Bank Global Investment Solutions, as of Q2 2009

Quarterly change in assets under management



Source: HFR, Deutsche Bank Global Investment Solutions, as of Q2 2009



Real estate

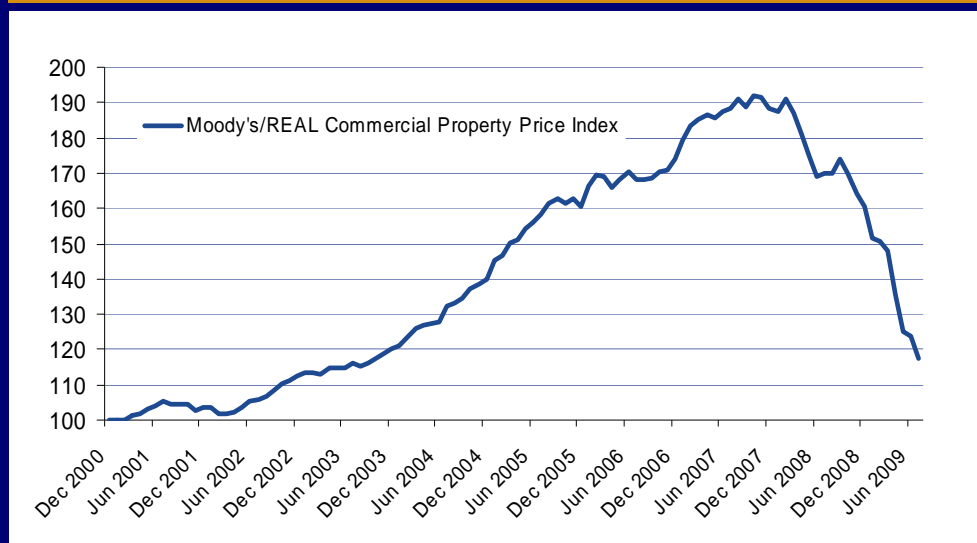
Overall, commercial real estate (CRE) fundamentals remain weak:

- Despite evidence of an economic recovery, in many regions CRE fundamentals are likely to remain weak into 2010 as CRE trends typically lag the broad economy by several quarters. In addition, continuing deleveraging and near-term completions of new developments will limit the magnitude of the recovery in the sector. We do not expect a broad-scale recovery of the CRE sector before 2010/2011.

Signs of stabilization in some markets:

- Markets which are more advanced in the cycle (e.g. London, Paris) have begun to show signs of stabilization in prime locations. Longer term, the expected increase in occupancy demand is likely to meet constrained supply in 2010/11 due to cancelled developments. Institutional interest in some markets has increased significantly.

U.S. CRE prices are down almost 40% from their peak

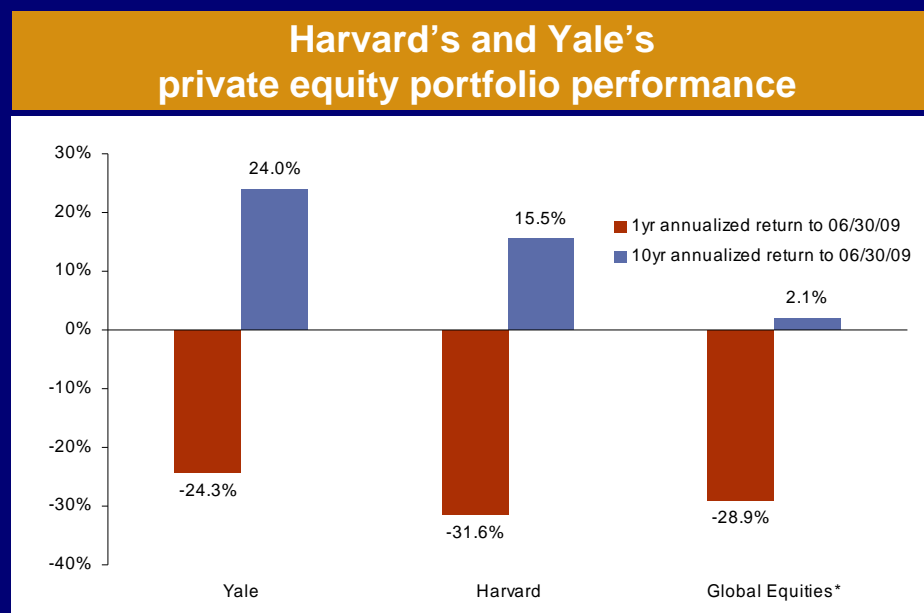


Source: Bloomberg Finance LP, Deutsche Bank Global Investment Solutions, as of July 31, 2009



Private equity

- Now that a degree of liquidity has returned to the credit markets, the focus is turning to active management on the corporate level (balance sheet restructurings, acquisition and rescue financing, refinancings etc.) as company-related factors are becoming more important relative to market-related factors.
- Despite impressive improvement in credit markets and ongoing economic recovery, private equity investments in the credit-oriented, distressed and restructuring space are still attractive as credit remains scarce and the need for corporate restructuring is high.



The (much debated) performance of the endowment funds of Harvard and Yale, driven in part by negative private equity performance, does not necessarily invalidate the attractiveness of private equity investments in the long term. Careful manager selection is a necessary prerequisite when investing in private equity.

Source: Bloomberg Finance LP, Harvard University, Yale University, as of June 30, 2009; all returns in USD

Note: Harvard's and Yale's 2009 fiscal year ends June 30, 2009, *MSCI World AC TR gross Index



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Investment Strategy and Forecasts



Investment strategy

- With rates at historic lows and no expectation of a change in policy any time soon, investors can feel free to borrow money to invest. At a minimum, the opportunity cost of keeping money in cash continues to rise.
- We are taking assets out of fixed income as supply overwhelms demand post Fed buying.
- Using proceeds from fixed income to phase into a higher weighting to equities.
- We reiterate our call for investment in Asia ex-Japan which should benefit from the G3 restocking.



Financial market forecasts & targets

GDP Growth in %	2009	2010
World	-1.1	3.8
USA	-2.4	3.6
Euroland	-3.9	1.3
UK	-4.7	1.4
Japan	-6.1	1.0
Asia ex Japan	5.3	7.2
Latin America	-2.4	3.5
EMEA	-5.4	3.8
Inflation (CPI) in %	2009	2010
USA	-0.4	1.3
Euroland	0.3	1.1
UK	2.2	2.1
Japan	-1.3	-1.6
Asia ex Japan	0.6	4.0
Latin America	6.6	7.5
EMEA	8.9	8.1
Current Account Balance in % of GDP	2009	2010
USA	-3.5	-3.0
Euroland	-1.1	-0.6
UK	-2.1	-1.7
Japan	2.8	4.1
Asia ex Japan	6.0	4.9
Latin America	-0.7	-1.1
EMEA	0.5	-2.3
Fiscal Balance in % of GDP	2009	2010
USA	-13.3	-7.3
Euroland	-6.3	-6.9
UK	-12.4	-11.9
Japan	-6.5	-7.6
Asia ex Japan	-4.2	-3.9
Latin America	-0.8	-0.6
EMEA	-6.3	-5.4

Key Interest Rates	Current (November 3, 2009)	3M Forecast	12M Forecast
USA (Fed funds)	0.00 - 0.25%	0.00 - 0.25%	1.00%
Euroland (Refi rate)	1.00%	1.00%	2.00%
UK (Repo rate)	0.50%	0.50%	1.75%
Japan (Money market rate)	0.10%	0.10%	0.10%
Currencies	Current (November 3, 2009)	3M Forecast	12M Forecast
EUR/USD	1.47	1.50	1.55
USD/JPY	90.34	95	100
EUR/CHF	1.51	1.53	1.60
GBP/USD	1.64	1.67	1.82
EUR/GBP	0.90	0.90	0.85
Commodities	Current (November 3, 2009)	3M Forecast	12M Forecast
Oil (WTI) in USD	78	75	85
Gold in USD	1060	1,025	1,150
Equities	Current (November 3, 2009)	3M Forecast	12M Forecast
USA (S&P 500)	1,045	1,090	1,190
Euroland (DJ Euro Stoxx 50)	2,712	2,900	3,200
UK (FTSE 100)	5,037	5,250	5,500
Japan (Nikkei)	9,803	10,300	11,100
Asia ex Japan (MSCI in USD)	445	480	530
Latin America (MSCI in USD)	3,797	4,100	4,400
10Y Interest Rates	Current (November 3, 2009)	3M Forecast	12M Forecast
USA	3.47%	3.75%	4.50%
Euroland	3.24%	3.50%	4.00%
UK	3.82%	3.75%	5.00%
Japan	1.37%	1.40%	1.60%

Source: Deutsche Bank Global Markets; Deutsche Bank Global Investment Solutions as of November 3, 2009.
See Important Information at end of this document for important information regarding forward-looking forecasts on this page.



Important notes

Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest and exchange rates, commodity and equity prices and the value of financial assets; continued volatility and further deterioration of the capital markets; the commercial and consumer credit environment; the impact of regulation and regulatory, investigative and legal actions; strategic actions, including acquisitions and dispositions; future integration of acquired businesses; future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

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.

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.

Foreign Currency Investing - 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 purchase in another currency. Relevant movements in currencies during the settlement period may seriously erode potential profits or significantly increase any losses.

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 U.S. 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.

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