

DB Advisors: At the forefront of climate change investing

DB Advisors believes climate change is a trend that will shape the global economy for years to come. We also believe climate-related opportunities and risks – in the areas of energy, clean technologies, agriculture, and water – can be quantified and are material to firms' financial performance. By evaluating these factors in the context of disciplined processes, we seek to deliver attractive risk-adjusted returns for institutional investors.

DB Advisors is uniquely positioned to capitalize on the opportunities that climate change presents. As part of Deutsche Bank, one of the world's leading climate change investors – and one of the first asset managers to establish a dedicated climate change platform – we have a wealth of specialized resources at our disposal.

The case for climate change investing

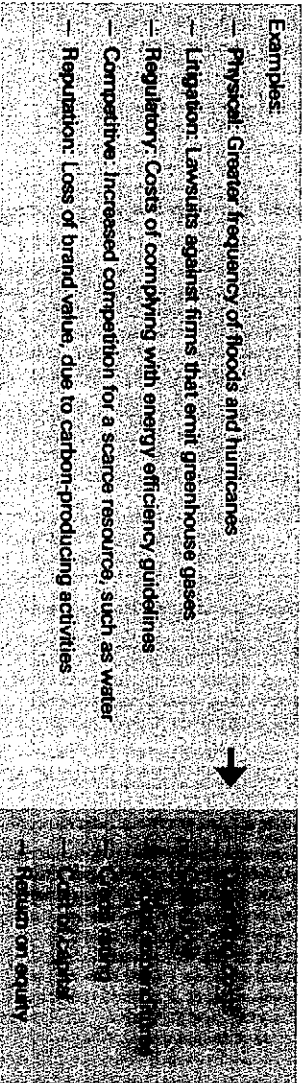
Several factors substantiate our view that climate change will lead to unprecedented opportunities for investors.

- A secular growth theme
 - The need to reduce global warming, a worldwide interest in job creation and the focus on energy security all point to climate change as having a lasting influence on the global economy.
- Strong economic incentives
 - Some firms are developing energy-efficient products to drive revenue growth. Others are making capital investments to reduce carbon emissions
 - Investments that enhance returns and mitigate climate change risks.
- Growing investor support
 - Membership in the United Nations Principles for Responsible Investment has risen dramatically in recent years. Increasingly, shareholders are also pressing companies to focus on climate change issues.
- Risk management
 - Recognizing that the risks posed by climate change affect companies' profitability and costs of capital, investors are now factoring these risks into their investment decisions.
- Policy
 - Government environmental policies and regulations are motivated by scientific evidence, public opinion and, increasingly, by the realization that the green revolution can create jobs. For many countries, energy security is also a key issue.
- Economics
 - The recognition of carbon as an externality – and priced either directly or more indirectly through government mandates, standards and incentives – is crucial.
- Corporate response
 - Companies can choose to develop and market solutions that address climate change issues or respond to the risks that climate change poses for their own businesses.
- Low-carbon technology
 - At the product and service levels, technological advances and creative solutions will promote growth in clean-tech industries and create new investment opportunities.

Key drivers of climate change investing

Investing in this dynamic sector requires understanding its four key pillars and keeping abreast of how they evolve over time:

Climate change: Implications for companies, opportunities for investors
 The risks posed by climate change affect firms' performance



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A passion for our planet

We view climate change not only as an investment opportunity but as our own responsibility. As a demonstration of our commitment, Deutsche Bank plans to be carbon neutral by 2013. After its recent renovation, our headquarters building in Frankfurt emits 50% less CO₂ and is one of the most eco-friendly high-rises in the world.

Furthermore, we are a signatory to the United Nations Principles for Responsible Investment (UN PRI), a set of guidelines for investors who seek to address environmental, social, and corporate governance (ESG) issues.

At the forefront of analyzing carbon risk

One way DB Advisors adheres to the UN PRI is by including ESG and carbon betas for major companies and governments in its research platform. An entity's carbon beta is a function of these key variables:

- Carbon footprints
- Ability to manage and reduce climate-related risks
- Ability to capitalize on climate-driven opportunities
- Rate of improvement or regression

We also rate countries based on various measures of carbon emissions. The carbon betas and country ratings help us assess an issuer's ability to negotiate risks and opportunities related to climate change.





World-class climate change research

DB Advisors leverages the insights of DB Climate Change Advisors (DBCCLA). Established by Deutsche Asset Management in January 2008, DBCCLA's research effort focuses exclusively on analyzing climate change investment trends and the aforementioned drivers of success.

The senior professionals of DBCCLA are dedicated to environmental research, asset management, corporate finance and public policy. They also leverage the knowledge and practical experience of world-renowned climate change experts from academia, government and private industry.

As a thought leader in climate change, DBCCLA produces in-depth research papers on a frequent basis. Topics range from comprehensive studies of climate change investing to perspectives on individual countries and sub-sectors. DBCCLA's research has been featured in a variety of prominent publications.

Our climate change strategies

Asset class	 Global fixed income	 Corporate fixed income	 Multiple asset classes	 Global private equity
Strategy description	Applies our proven global fixed-income process to the single theme of carbon exposure	Focuses on euro-denominated corporate issuers with environmentally responsible policies	Neutralizes a portfolio's carbon exposure via an "overlay" created with carbon credits or offsetting projects	Seeks attractive climate change investments outside of the public markets
Key distinction	Flexibility to take short positions, allowing negative views on an issuer's carbon exposure to be more fully exploited	Combination of fundamental credit analysis and extensive environmental research	Preservation of a portfolio's thesis, while achieving carbon neutrality	Exposure to unique ventures and opportunities in the climate change sector
Objective	Outperform 3-month LIBOR by 150-200 basis points (annualized) over a complete market cycle	Outperform the Merrill Lynch EMU Corporate ex Financials Index by 50 basis points annualized over a complete market cycle	Achieve a carbon-neutral portfolio	Long-term capital appreciation
Environmental research emphasis	Carbon beta ratings	Carbon and environmental ratings	Carbon footprints based on greenhouse gas emissions	Fundamental research on clean-tech sector firms
Region and vehicle	Global; separate account	Global; separate account	Global; separate account	Global; private placement

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