Macro

Global Markets Research

Commodities

Global

Deutsche Bank

15 February 2010

DBLCI Monthly

Market Update

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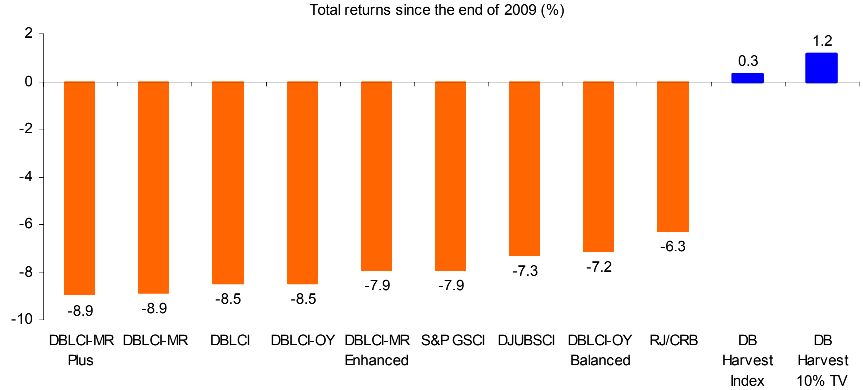
- **DBLCI-Optimum Yield**: Total returns are down 8.5% since the end of 2009. This compares with year to date returns for the Dow Jones-UBSCI and S&PGSCI of -7.3% and -7.9% respectively.
- **DBLCI**: Total returns fell 8.5% last month. All components of the DBLCI posted negative returns in January with corn the worst performing commodity within in the index.
- **DBLCI-MR**: Total returns dropped 8.9% in January. Over the past month, the allocation to the energy sector has been reduced and reallocated to aluminum.
- **DBLCI-MR Plus:** Total returns are down 8.9% since the end of last year. As at the end of January the index was fully invested in commodities.
- **DBLCI-MR Enhanced**: Total returns were down 7.9% in January.
- **DBLCI-OY Balanced**: Total returns were down 7.2% over the last month.
- **DB Commodity Harvest**: Total returns rose 0.3% in January.
- **DB Commodity Harvest 10% Target Vol**: Total returns have increased by 1.2% since the end of last year.

Total Returns	Index level 29-Jan-10	Returns in Jan-10 (mom)	Returns ytd
DBLCI-OY	1042.04	-8.47%	-8.47%
DBLCI	815.28	-8.50%	-8.50%
DBLCI-MR	1371.09	-8.90%	-8.90%
DBLCI-MR Plus	941.00	-8.91%	-8.91%
DBLCI-MR Enhanced	374.64	-7.94%	-7.94%
DBLCI-OY Balanced	357.06	-7.15%	-7.15%
DB Commodity Harvest	285.59	0.33%	0.33%
DB Commodity Harvest 10% TV	1016.47	1.15%	1.15%

Source: DB Global Markets Research

2010 Commodity Index Scorecard



Source: DB Global Markets Research, Bloomberg (Data as of end January 2010)

2010 Commodity Index Scorecard

	Level	%mtd	%ytd
DBLCI	815.3	-8.5%	-8.5%
DBLCI-MR	1371.1	-8.9%	-8.9%
DBLCI-MR Plus	941.0	-8.9%	-8.9%
DBLCI-MR Enhanced	374.6	-7.9%	-7.9%
DBLCI-OY	1042.0	-8.5%	-8.5%
DBLCI-OY Balanced	357.1	-7.2%	-7.2%
DB Commodity Harvest	285.6	0.3%	0.3%
DB Commodity Harvest 10% TV	1016.5	1.2%	1.2%
DJ-UBSCI	259.0	-7.3%	-7.3%
S&P GSCI	4176.2	-7.9%	-7.9%

as of cob 29 January 2010

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Top-Down Drivers

Our view on the key top-down drivers for commodity markets

Driver	View
Global growth	We expect world GDP to rise 4.1% this year and 3.9% in 2011. However, we expect global growth to be increasingly skewed to the emerging markets. In the OECD countries, we expect the current expansion to be significantly shorter than the previous one, which lasted for more than six years.
US growth	We expect GDP to grow 3.8% this year but slow down to 3.3% in 2011. We believe the primary drivers of the recovery will be inventories and capital spending. Indeed the latest GDP data suggest that an investment-led recovery is underway. We believe this above trend growth rate in the economy will eventually lead to positive employment growth and hence a turn in the US monetary cycle.
Japanese growth	We expect GDP to grow 1.7% and 0.5% in 2010 and 2011 respectively. We have revised up our forecasts for this year following upgrades to the growth outlook for Q4 2009, signs of a recovery in capital investment and a stronger upturn in global growth. However, we believe the DPJ's uncertain economic policies and a premature end to QE by other advanced countries will act as drags on growth.
Chinese growth	We believe monetary policy tightening is introducing downside risks to growth. We expect a further up tick in inflation and hence additional monetary tightening and a revaluation of the Yuan during 2010. We believe policy tightening in China will have the biggest impact on investment growth by slowing FAI growth, followed by IP and GDP and threatening metals demand such as copper. In contrast we expect y-o-y Chinese export growth to surge to 30% in Q2 this year following improvements to the growth outlook in the US and Europe. This would tend to favour a recovery in dry freight rates which have historically closely followed the Asian export cycle.
Inflation	Global inflation should stabilise in 2010-11 at levels only a little below those seen in 2005-07, in our view. This outcome reflects a rise in emerging market country inflation to around 5% and in industrial country inflation to 1.2%. However, we see growing risks to inflation down the road. Following the recent monetary policy tightening in China, we expect other countries in Asia to be next in adjusting monetary policies, followed by countries in Latin America and finally by the US and Europe.
Fed Funds rate	With money markets returning to normal and the economy showing clear signs of recovery, the Fed is phasing out many of its liquidity facilities and tapering off its credit easing programmes. As economic prospects continue to improve, we believe the likelihood of an interest rate increase in the second half of this year is rising. However, low core inflation and an elevated unemployment rate suggest that the Fed will remove policy stimulus only gradually, in our view.
US dollar	We expect the US dollar to become less of a constructive force for commodity markets and specifically precious metal prices this year. We find that based on the last three Fed tightening cycles the US dollar tends to strengthen in the six months before the first rate hike. However, these gains tend to be surrendered in the six months following the first Fed rate hike implying the dollar should remain undervalued versus the euro on a PPP basis into next year.
Flows	We expect renewed inflows into the commodities sector during 2010. However, we believe the sector will be vulnerable to shifting growth expectations, concerns about rising interest rates and fears of sovereign defaults in Europe. We believe the listing in the US of platinum and palladium ETFs is interesting as it provides a new vehicle to position for a global recovery, an improvement in the global auto sector and the recurring threat of power shortages in South Africa.
Politics	Last month, the CFTC announced that it will enforce position limits on energy markets, moving the jurisdiction away from NYMEX where accountability limits existed but were non-binding. Next month, the CFTC will decide whether to extend position limits onto the metals market. For as long as position limits are set at relatively high levels we expect the impact on commodity futures markets will be limited. We believe the escalation in geopolitical risk centered on Iran highlights the tail risks in the energy market.
Weather	We expect extreme cold to be an ongoing feature in the northern hemisphere into March and provide upside price risks to the energy complex. Moreover as the El Niño phenomenon fades this may also indicate a more active western Atlantic hurricane season this summer.
Global risks	We believe the main challenge for governments and monetary authorities over the coming year will be to withdraw monetary and fiscal stimulus measures in a way that does not lead to deterioration in global growth expectations. High levels of debt across Europe and the US are also expected to sustain the risk of a sovereign event over the medium term and the threat this leads to a significant rise in long term interest rates, a worsening outlook for global growth and hence weaker commodity demand growth going forward.

Source: Deutsche Bank

DBLCI Views

Commodity Views, By Component

Sector	Comment	DBLCI Weight	DBLCI-MR Weight*
Crude oil	The DB crude oil index has posted negative returns of 8.8% month-on-month. Even though supply-demand fundamentals are slowly improving, we believe crude returns were pressured lower as a result of weak equity market and rally in USD FX rates. Oil demand growth is likely to be driven by the developing countries in the coming years. There is some evidence that downside demand risk is easing as strength in the non-OECD nations of Asia and the Middle East grow, but we are wary of data that is neither timely nor well-documented. Our assessment is that the markets remain well supplied with a high level of oil inventories in the US, rising OPEC spare capacity and strong non-OPEC oil production growth. We continue to expect some weakness in oil prices by mid-2010 when the industrial inventory cycle, which has been boosting growth, fades away.	35.00%	32.30%
Heating oil	Total returns on the DB heating oil index fell 9.9% in January. We expect returns to remain highly correlated with crude oil, and although momentum on several factors specific to heating oil is improving, the overall outlook for middle distillates is still subdued in our view. The recent northern hemisphere cold wave will not do much for demand, according to analysts at the IEA, because of shrinking market share for heating oil. Moreover, total US distillate days of supply stand at a very high level at around 42 days, when 32 days' supply would be more typical for this time of year. We believe this level of distillate stocks will pressure heating oil prices lower.	20.00%	24.99%
Aluminium	The DB aluminium index posted negative returns of 7.1% over the last month. We believe aluminium fundamentals are supported by financial capital in a more meaningful way than for other metals and we expect this to be sustained for much of 2010. Furthermore we expect that cost inflation in the aluminium industry could be more significant vs. other markets, thus provide support for pricing. Thus we expect the metal to out-perform other industrial metals such as copper. Nevertheless, in general we anticipate that aluminium prices could be under pressure over the coming months as we expect challenging demand conditions in 2010. We believe that OECD re-stocking could be a disappointment and are concerned about the repercussions of potential tightening of interest rates in both China and the US.	12.50%	27.77%
Gold	Total returns on the DB gold index fell 1.5% in January. The gold price has had to contend with ongoing US dollar strength, a liquidation in speculative length on COMEX and modest outflows from physically backed gold ETFs. While there has been a commitment by the EU to support Greece we believe the US dollar will continue to find support from strong US real economy data, which we expect will trigger the Fed to tighten monetary policy sometime in the third quarter of this year. However, dollar strength tends to fade rapidly as soon as the Fed starts a new monetary tightening cycle. Alongside a rise in inflationary pressures, we therefore view any weakness in the gold price in the first half of this year as a buying opportunity in order to position for new prices highs heading into next year	10.00%	1.17%
Corn	The DB corn index has been the worst performing component of the DBLCI in January with total returns falling 11.3% on the month. We believe corn returns have suffered form a significant upgrade to US corn acreage and yield estimates. However, we believe price weakness in corn will prove temporary given rising ethanol production in the US. We expect this will accelerate from the middle of the year when the US legislate in favour of raising the ethanol blend in gasoline to 15%, from the current rate of 10%. Another short term risk is the possibility that price weakness ni corn leads US farmers to cut acreage. We would expect this to be announced at the end of March and the publication of the USDA's Prospective Plantings survey.	11.25%	5.90%
Wheat	DB wheat index posted negative returns of 10.2% in January. We believe the decline in wheat returns was attributed not only to lower corn prices but also a rise in global wheat production forecasts for the current marketing year to over 670 million tonnes by the International Grains Council as well as the USDA.	11.25%	7.87%

**DBLCI-MR weights relate to end-January; Source: Deutsche Bank*

Asset Class Performance

Commodities & Global Imbalances

- **Commodity returns have succumbed to an escalation in risk aversion during January, which has also led to a slump in global equity markets and a strengthening in the US dollar.**
- **We believe commodity returns will remain transfixed by events outside the complex, such as the performance of the S&P500 and the US dollar, but, increasingly the potential contagion effects from government bond markets.**
- **According to our credit research team, the current crisis is still far from over. The long running super-cycle of bubbles which has spread from equities to credit to housing to banking during the past decade have finally landed on the balance sheets of governments across the OECD.**
- **We believe sovereign risk and the dangers of a run on various government bond markets is the main event risk for commodity markets. As we await to see how these events unfold we expect commodity markets will be prone to false rallies and more frequent drawdown events.**
- **In this environment, we believe the industrial metals sector is over-valued and recommend going short. In contrast we view the agricultural sector as under-valued and recent losses will be reversed.**
- **We would also view the DB Commodity Harvest index as likely to perform relatively well in this more skittish global environment.**

Since the end of last year the positive correlation of commodity index returns to the S&P500 has risen substantially. We believe this reflects the S&P500's role as a proxy for US and hence world growth. Given the escalation in risk aversion and the decline in global equity markets last month, not surprisingly many commodity indices have posted their largest monthly drawdown since January 2009, which marked the depth of the last recession.

We believe the latest escalation in risk aversion has been triggered by monetary tightening steps in China, the possibility of a tougher regulatory environment in the US and the deteriorating fiscal outlook in several European countries. In the middle of last month, the Peoples' Bank of China announced the first in what is likely to be a programme of monetary tightening measures. Alongside efforts to curb bank lending this has led to some fears of downside risks to Chinese GDP growth going forward.

Indeed with more than 75% of all the OECD countries likely to be raising interest rates over the coming year we believe financial markets will remain pre-occupied with how much and how fast central banks will tighten monetary policy and the impact these steps will have on global growth expectations.

Figure 1: Commodity returns in 2010

USD terms	Δ mom	ΔQTD	ΔYTD	Sharpe
DBLCI-OY	-8.47	-8.47	-8.47	0.44
DBLCI	-8.50	-8.50	-8.50	0.31
DBLCI-MR	-8.90	-8.90	-8.90	0.83
DBLCI-MR Plus	-8.91	-8.91	-8.91	-0.01
DBLCI-MR Enhanced	-7.94	-7.94	-7.94	1.36
DBLCI-OY Balanced	-7.15	-7.15	-7.15	1.05
DB Commodity Harvest	0.33	0.33	0.33	-0.02
DB Commodity Harvest 10 % TV	1.15	1.15	1.15	0.04
Components of the DBLCI*				
Crude Oil	-8.76	-8.76	-8.76	0.59
Heating Oil	-9.93	-9.93	-9.93	0.29
Aluminum	-7.15	-7.15	-7.15	1.32
Gold	-1.51	-1.51	-1.51	0.86
Wheat	-10.19	-10.19	-10.19	-0.80
Corn	-11.34	-11.34	-11.34	-0.55
Performance of other benchmark indices				
S&PGSCI	-7.89	-7.89	-7.89	0.47
DJ-UBSCI	-7.28	-7.28	-7.28	0.68
S&P 500	-3.60	-3.60	-3.60	1.15
EFFAS US Bond	1.69	1.69	1.69	0.16

** Returns defined by DBLCI sub-index contract and rolls*
For quotes and compositions see Reuters: DBLCI and Bloomberg: DBCM
Source: DB Global Markets Research, Bloomberg (End January 2010)

We are therefore maintaining our below consensus price forecasts for crude oil and copper during 2010. Not only are the factors outlined above expected to pollute sentiment for these two sectors, but, we believe the high level of crude oil inventories continues to indicate an over-supplied market while Chinese trade data are expected to reveal a sharp slowdown in copper imports heading into this year, in our view.

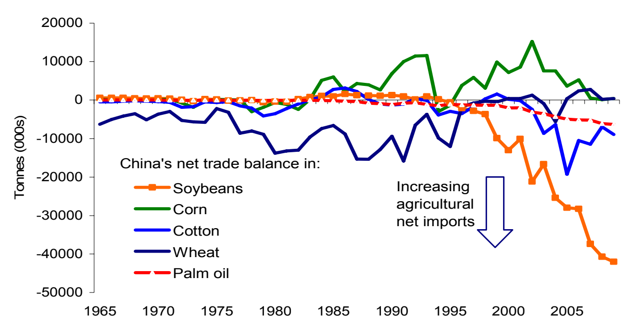
Figure 2: Total returns for the individual DBLCI-OY sector indices

Sector	Components & Weights	% mom	% ytd	Sharpe	2007	2008	2009
DBLCI-OY Energy	WTI crude oil (22.5%) Brent crude oil (22.5%) Heating oil (22.5%) RBOB gasoline (22.5%) US natural gas (10%)	-8.34%	-8.34%	0.62	41.04%	-39.62%	25.94%
DBLCI-OY Precious Metals	Gold (80%) Silver (20%)	-1.79%	-1.79%	0.89	26.15%	-2.83%	27.92%
DBLCI-OY Industrial Metals	Aluminium (33.33%) Copper (33.33%) Zinc (33.33%)	-11.31%	-11.31%	2.27	-10.97%	-44.52%	88.80%
DBLCI-OY Agriculture	Corn (25%) Wheat (25%) Soybeans (25%) Sugar (25%)	-5.98%	-5.98%	0.10	31.28%	-18.75%	5.11%

Source: DB Global Markets Research (Data as of end January 2010)

We believe the release of Chinese trade data this week may have some bearing on the relative performance of the industrial metals versus agricultural sectors going forward. On the one hand, imports of many industrial metals and bulk commodities fell in January while agricultural imports continued to rise. We believe many industrial metals prices are vulnerable over coming months not only from a more skittish macro economic environment but also from a potential slowdown in Chinese fixed asset investment growth. In contrast we believe parts of the agricultural sector are trading at relatively cheap levels and that demand side trends remain supportive. For example over the past few months, the USDA has revised up its estimate of Chinese soybean imports by 5% to 42 million tons. In corn, we expect the US to raise the ethanol blend in gasoline five percentage points to 15%, raising ethanol demand by seven million barrels.

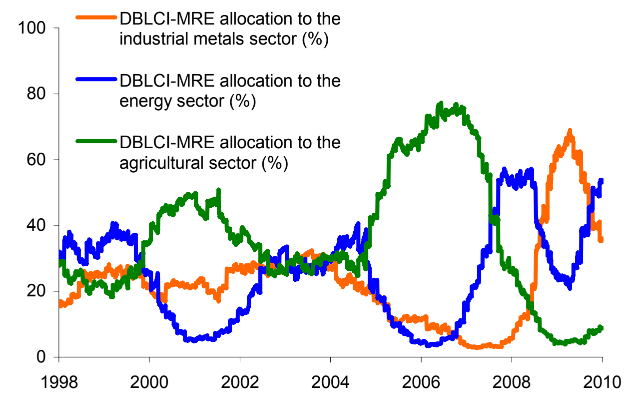
Figure 3: China's trade balance in various agricultural commodities



Source: Deutsche Bank, USDA

The risks to the industrial metal sectors are also being captured by the rules governing the DBLCI-Mean Reversion Enhanced. This index attempts to overweight 'cheap' commodities and underweight 'expensive' ones by employing the principles of mean reversion. For the past few months the DBLCI-MRE has been aggressively reducing its exposure to industrial metals, which it views as over-priced and re-allocating this exposure to the energy and more recently the agricultural sectors.

Figure 4: Historical sector weights on the DBLCI-MRE



Source: Deutsche Bank

contributed to this being one of the engine rooms of performance last year, while parts of the agricultural complex have been responsible for significant returns destruction, most notably in the second half of 2009.

Figure 6: The top and bottom 3 commodities in terms of Harvest Index performance by quarter in 2009

	Top 3 commodities
Q1-09	WTI, lead & aluminium
Q2-09	Cocoa, US natural gas & w heat
Q3-09	US natural gas, w heat & WTI
Q4-09	US natural gas, WTI & lead

	Bottom 3 commodities
Q1-09	RBOB gasolnie, soybeans & heating oil
Q2-09	Soybeans, sugar & heating oil
Q3-09	Sugar, cotton & corn
Q4-09	Sugar, soybeans & corn

Source: Deutsche Bank

DB Commodity Harvest

One of the distinctive features of the DB Commodity Harvest Index is its ability to extract positive returns in falling commodity price environments. This reflects the tendency of commodity forward curves either to move into contango or for contango to rally when commodity prices turn lower. This helps to explain why the DB Commodity Harvest performed strongly during the collapse in commodity prices in 2008 and why powerful reflationary forces and curve flattening led to frequent drawdown events in 2009.

Figure 5: Monthly excess returns of the DB Commodity Harvest Index since 2008

	% mom		% mom		% mom
Jan-08	1.42	Jan-09	1.43	Jan-10	0.32
Feb-08	-0.29	Feb-09	0.42		
Mar-08	1.37	Mar-09	0.23		
Apr-08	0.24	Apr-09	-0.24		
May-08	0.88	May-09	-0.67		
Jun-08	0.45	Jun-09	-0.61		
Jul-08	0.68	Jul-09	0.86		
Aug-08	0.88	Aug-09	-0.13		
Sep-08	0.30	Sep-09	-0.21		
Oct-08	1.42	Oct-09	0.18		
Nov-08	1.25	Nov-09	1.09		
Dec-08	2.17	Dec-09	-1.15		

Source: Deutsche Bank

In terms of areas of performance, Figure 6 examines the three best and worst performing commodities on the basis of returns on a quarterly basis during 2009. We find that the extreme contango in the US natural gas curve

To assess the risks for the components of the DB Commodity Harvest Index we examined the degree of curvature of the 21 components in the index and the time to expiry for the long contracts in the index, Figure 7. On this basis we can assign individual commodities to various risk buckets such that index returns would be most sensitive to commodities with:

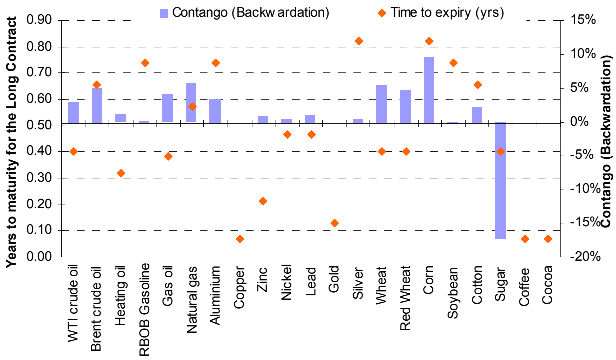
(a) A greater degree of contango in the forward curve. For example, where the contango is more than 10% between the long and the short contract the greater the drawdown risk in the event of the curve moving into backwardation.

(b) Long contracts that have in excess of six months to expiry since forward curves in these commodities have a higher probability of changing shape before contract expiry than contracts that expire in less than six months.

(c) The higher the allocation in the commodity basket the greater the risk to overall index returns.

Given our bullish outlook for corn, we would view this component of the DB Commodity Harvest as posing the greatest risk to a drawdown event going forward. However, for the majority of the other components the degree of contango and the time to maturity of the long contract are below 10% and six months respectively.

Figure 7: Assessing drawdown event risk in the DB Commodity Harvest Index



Source: Deutsche Bank, Bloomberg (Data as of February 11, 2010)

Conclusion

We believe the commodities complex continues to be vulnerable to a stronger US dollar, falling equity markets and higher government bond yields. In this environment we view the industrial metals sector as remaining exposed. Indeed the sector is trading at rich levels of valuation particularly given the outlook for a moderation in Chinese fixed asset investment growth. In contrast we view the weakness in parts of the agricultural complex as overdone. We would therefore recommend going long the DBLCI-OY Agricultural Index versus a short position in the DBLCI-OY Industrial Metals Index to exploit what we believe is the mis-pricing in these sectors.

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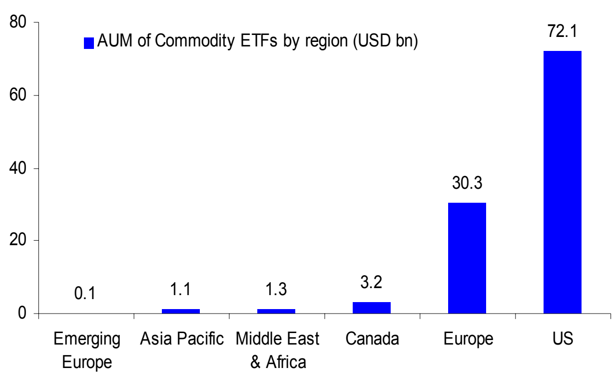
Commodity ETF Tracker

The rapid rise in AUM in commodity ETFs has stalled during January. Although this has been partly related to a decline in many commodity prices, we find that it is also due to physical outflows from the complex. Precious metals constitute the lion's share of commodity ETFs. Over the past month, holdings in physically backed gold ETFs have fallen slightly. This may reflect switching out of gold ETFs and a reallocation into two recently launched US ETFs in the PGM sector.

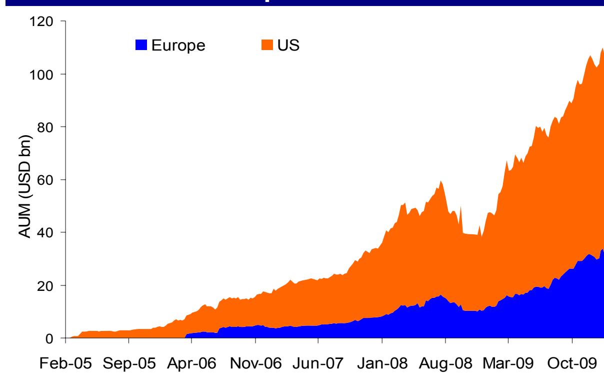
We believe flows into precious metal ETFs will remain slow in an environment where the US dollar continues to strengthen. In contrast the reappearance of cold weather and the fading El Niño phenomenon and the implications for a more active western Atlantic hurricane season may skew new flows into the energy sector, in our view.

Figure 1: Assets under management of commodity ETFs by region



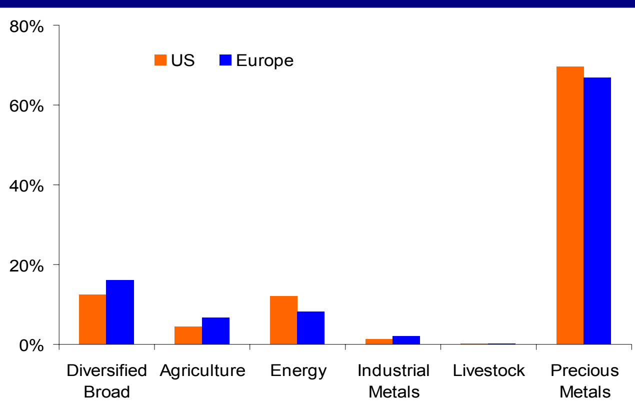
Source: Deutsche Bank (data as of 29-Jan-10)

Figure 2: Assets under management of commodity ETFs in the US & Europe



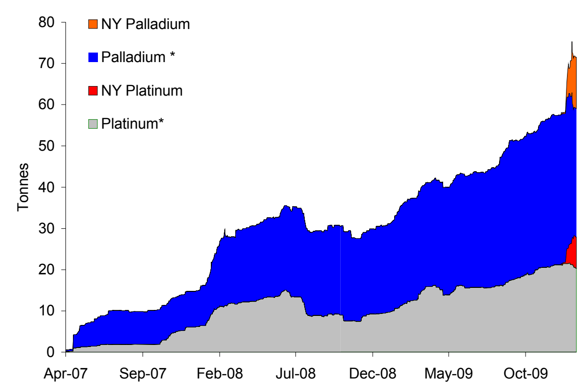
Source: Deutsche Bank, (data as of 29-Jan-10)

Figure 3: AUM of commodity ETFs by region & sector



Source: : Deutsche Bank, (data as of 29-Jan-10)

Figure 4: Holdings of platinum & palladium in physically backed ETFs



** Holdings relate to ETFs listed in Switzerland, Australia & the UK*
Source: Deutsche Bank, Bloomberg

Total Returns

Performance of commodity & other benchmark indices (Total Returns)

USD terms	29-Jan-10	% mom	% QTD	2010 YTD	Sharpe*	2005	2006	2007	2008	2009
DBLCI-OY	1042.04	-8.47%	-8.47%	-8.47%	0.44	31.96	16.96	32.62	-30.94	16.15
DBLCI	815.28	-8.50%	-8.50%	-8.50%	0.31	17.54	8.12	40.82	-38.76	10.33
DBLCI-MR	1371.09	-8.90%	-8.90%	-8.90%	0.83	6.25	46.05	48.99	-34.53	22.47
DBLCI-MR Plus	941.00	-8.91%	-8.91%	-8.91%	-0.01	-1.45	30.64	44.9	0.71	9.03
DBLCI-MR Enhanced	374.64	-7.94%	-7.94%	-7.94%	1.36	13.99	34.85	32.46	-25.26	37.73
DBLCI-OY Balanced	357.06	-7.15%	-7.15%	-7.15%	1.05	37.65	24.67	25.81	-28.17	29.48
DB Commodity Harvest	285.59	0.33%	0.33%	0.33%	-0.02	14.41	18.53	4.74	12.82	1.33
DB Commodity Harvest 10% TV	1016.47	1.15%	1.15%	1.15%	0.04	41.19	45.88	4.05	44.70	3.72
Components of the DBLCI-Optimum Yield										
Crude Oil	4310.18	-8.55%	-8.55%	-8.55%	0.81	47.56	2.31	39.2	-40.80	36.28
Heating Oil	1746.34	-9.41%	-9.41%	-9.41%	0.27	61.43	0.74	45.82	-36.34	15.44
Aluminium	167.66	-7.22%	-7.22%	-7.22%	1.32	22.98	37.61	-6.97	-38.78	32.58
Gold	251.77	-1.26%	-1.26%	-1.26%	0.86	18.21	21.91	29.08	3.15	22.95
Wheat	91.13	-11.61%	-11.61%	-11.61%	-0.79	4.04	26.59	57.22	-25.43	-21.84
Corn	57.41	-11.35%	-11.35%	-11.35%	-0.55	-13.36	55.67	17.37	-17.35	-13.32
Components of the DBLCI										
Crude Oil	1580.16	-8.76%	-8.76%	-8.76%	0.59	22.26	-16.28	49.05	-54.52	16.61
Heating Oil	796.20	-9.93%	-9.93%	-9.93%	0.29	33.49	-24.9	55.61	-46.78	21.85
Aluminium	119.12	-7.15%	-7.15%	-7.15%	1.32	24.79	39.46	-4.83	-39.78	32.43
Gold	263.39	-1.51%	-1.51%	-1.51%	0.86	17.97	22.55	29.56	2.41	23.21
Wheat	171.28	-10.19%	-10.19%	-10.19%	-0.80	-1.38	46.42	80.87	-26.15	-22.17
Corn	59.10	-11.34%	-11.34%	-11.34%	-0.55	-13.38	55.67	17.37	-17.35	-13.32
Performance of other benchmark indices										
GSCI	4176.22	-7.89%	-7.89%	-7.89%	0.47	25.55	-15.04	32.67	-46.49	13.48
DJ-UBSCI	258.95	-7.28%	-7.28%	-7.28%	0.68	21.36	2.07	16.23	-35.65	18.91
S&P 500	1771.40	-3.60%	-3.60%	-3.60%	1.15	4.91	15.79	5.49	-37.00	26.46

The Sharpe Ratio is calculated from year-on-year returns as of Jan-10; For quotes and compositions see Reuters: DBLCI and Bloomberg: DBCM, Source: DB Global Markets Research, Bloomberg

Excess Returns

Performance of commodity & other benchmark indices (Excess Returns)

USD terms	29-Jan-10	% mom	% QTD	2010 YTD	Sharpe*	2005	2006	2007	2008	2009
DBLCI-OY	441.70	-8.47%	-8.47%	-8.47%	0.43	27.83	11.49	26.83	-31.89	15.99
DBLCI	345.58	-8.51%	-8.51%	-8.51%	0.31	13.89	3.06	34.67	-39.60	10.17
DBLCI-MR	581.23	-8.90%	-8.90%	-8.90%	0.82	2.96	39.22	42.49	-35.43	22.29
DBLCI-MR Plus	437.20	-8.91%	-8.91%	-8.91%	-0.02	-4.54	24.53	38.57	-0.67	8.87
DBLCI-MR Enhanced	253.30	-7.94%	-7.94%	-7.94%	1.58	10.43	28.54	26.67	-26.29	37.53
DBLCI-OY Balanced	242.48	-7.15%	-7.15%	-7.15%	1.04	33.35	18.84	20.31	-29.16	29.29
DB Commodity Harvest	193.13	0.32%	0.32%	0.32%	-0.05	10.84	12.98	0.15	11.28	1.18
DB Commodity Harvest 10% T V	697.74	1.15%	1.15%	1.15%	0.03	36.78	39.07	-0.50	42.72	3.57
Components of the DBLCI										
Crude Oil*	669.84	-8.77%	-8.77%	-8.77%	0.59	18.47	-20.2	42.54	-55.15	8.34
Heating Oil*	337.48	-9.94%	-9.94%	-9.94%	0.29	29.35	-28.42	48.81	-47.51	9.93
Aluminium*	50.48	-7.15%	-7.15%	-7.15%	1.31	20.92	32.93	-8.99	-40.61	15.53
Gold*	111.61	-1.51%	-1.51%	-1.51%	0.85	14.31	16.81	23.9	1.01	8.51
Wheat*	72.59	-10.20%	-10.20%	-10.20%	-0.80	-4.44	39.57	72.97	-27.17	14.29
Corn*	25.05	-11.34%	-11.34%	-11.34%	-0.55	-16.07	48.39	12.24	-18.48	13.60
Performance of other benchmark indices										
GSCI	406.11	-7.90%	-7.90%	-7.90%	0.46	21.61	-19.07	26.81	-47.29	13.30
DJ-UBSCI	129.05	-7.28%	-7.28%	-7.28%	0.68	17.55	-2.71	11.08	-36.61	18.72
S&P 500	1073.87	-3.70%	-3.70%	-3.70%	1.03	3.00	13.62	3.53	-38.49	23.45

The Sharpe Ratio is calculated from year-on-year returns as of Jan-10; For quotes and compositions see Reuters: DBLCI and Bloomberg: DBCM Source: DB Global Markets Research, Bloomberg

Comparative performance of various alpha & beta commodity strategies

	Total Return*	Volatility**	Excess Return*	Sharpe Ratio #	Monthly drawdown ## maximum	no. of months < -5%
Beta allocation indices						
DBLCI TM	8.85%	23.34%	5.57%	23.85%	-25.44%	29
S&P GSCI TM	2.61%	24.55%	-0.52%	-2.11%	-28.20%	30
DJ-UBSCI SM	4.36%	17.12%	1.18%	6.90%	-21.28%	19
Mean reversion based indices						
DBLCI-MR TM	10.73%	19.80%	7.39%	37.34%	-20.18%	20
DBLCI-MR TM 'Plus'	13.46%	13.61%	10.03%	73.72%	-8.91%	8
DBLCI-MR TM 'Enhanced'	12.02%	16.89%	8.64%	51.16%	-21.71%	9
DBLCI Allocator Index	18.21%	12.42%	14.83%	119.41%	-8.86%	5
Optimum yield based indices						
DBLCI-OY	12.15%	20.13%	8.77%	43.57%	-23.97%	16
DBLCI-OY Balanced	11.67%	16.44%	8.30%	50.50%	-22.75%	11
DB Commodity Booster Index - S&P GSCI TM	11.33%	20.76%	7.97%	38.41%	-25.74%	20
DB Commodity Booster Index - DJ-UBSCI SM	10.81%	15.24%	7.47%	49.03%	-20.49%	11
DB Agricultural Index	3.32%	17.13%	0.36%	2.10%	-15.20%	12
Market neutral alpha indices						
DB Commodity Harvest Index	8.53%	3.47%	5.25%	151.25%	-3.18%	0
DB Commodity Harvest Index - S&P GSCI TM	10.66%	6.12%	7.33%	119.73%	-6.52%	1
DB Commodity Harvest Index - DJ-UBSCI SM	7.26%	5.25%	4.03%	76.71%	-8.60%	1
Other asset classes						
Equities (S&P 500)	2.60%	21.33%	-0.78%	-3.65%	-16.79%	20
Fixed Income (US Govt. All Total Return)	5.90%	5.14%	2.53%	49.18%	-4.08%	0

* annualised return based on total return and excess return
** annualised vol of the daily lognormal returns
\# calculated as a quotient of excess return and the volatility
\#\# based on total return
Data from January 1998 to January 2010 ***
***Data for DBLCI Allocator Index and DB Agricultural Index from January 1999

Source: DB Global Markets Research, Bloomberg

Appendix

Table 1: DBLCI-OY commodity membership list

Index	Commodity	Symbol	Exchange	DBLCI-OY Weight	Broad Weight	Balanced Weight	Sector Weight	Inception Date	BBG Excess Return Ticker	BBG Total Return Ticker
DBLCI-OY	Overall							2-Dec-88	DBLCOYER	DBLCOYTR
DBLCI-OY Broad	Overall							3-Sep-97	DBLCBRER	DBLCBRTR
DBLCI-OY Balanced	Overall							3-Sep-97	DBLCBBER	DBLCBBTR
Energy										
DBLCI-OY Energy	Sector							4-Jun-90	DBLCYEEN	DBLCYTEN
DBLCI-OY CL	Light Crude	CL	NYMEX	35.00%	12.375%	7.875%	22.50%	2-Dec-88	DBLCOCLE	DBLCOCLT
DBLCI-OY HO	Heating Oil	HO	NYMEX	20.00%	12.375%	7.875%	22.50%	2-Dec-88	DBLCOHOE	DBLCOHOT
DBLCI-OY RB	RBOB Gasoline	RB	NYMEX	0.00%	12.375%	7.875%	22.50%	2-Dec-88	DBLCYERB	DBLCYTRB
DBLCI-OY NG	Natural Gas	NG	NYMEX	0.00%	5.500%	3.500%	10.00%	4-Jun-90	DBLCYENG	DBLCYTNG
DBLCI-OY LCO	Brent Crude	LCO	IPE	0.00%	12.375%	7.875%	22.50%	3-Jan-90	DBLCYECO	DBLCYTCO
DBLCI-OY LGO	Gasoil	LGO	IPE	0.00%	0.00%	0.000%	0.00%	5-Jul-89	DBLCYEGO	DBLCYTGO
Precious Metals										
DBLCI-OY Precious Metals	Sector							2-Dec-88	DBLCYEPM	DBLCYTPM
DBLCI-OY GC	Gold	GC	COMEX	10.00%	8.000%	13.600%	80.00%	2-Dec-88	DBLCOGCE	DBLCOGCT
DBLCI-OY SI	Silver	SI	COMEX	0.00%	2.000%	3.400%	20.00%	2-Dec-88	DBLCYESI	DBLCYTSI
Industrial Metals										
DBLCI-OY Industrial Metals	Sector							3-Sep-97	DBLCYEIM	DBLCYTIM
DBLCI-OY MAL	Aluminium	MAL	LME	12.50%	4.167%	6.000%	33.33%	3-Sep-97	DBLCOALE	DBLCOALT
DBLCI-OY MZN	Zinc	MZN	LME	0.00%	4.167%	6.000%	33.33%	4-Aug-97	DBLCYEZN	DBLCYTZN
DBLCI-OY MCU	Copper - Grade A	MCU	LME	0.00%	4.167%	6.000%	33.33%	4-Aug-97	DBLCYECU	DBLCYTCU
DBLCI-OY MNI	Primary Nickel	MNI	LME	0.00%	0.000%	0.00%	0.00%	4-Aug-97	DBLCYENI	DBLCYTNI
DBLCI-OY MPB	Standard Lead	MPB	LME	0.00%	0.000%	0.00%	0.00%	4-Aug-97	DBLCYEPB	DBLCYTPB
Agriculture										
DBLCI-OY Agriculture	Sector							2-Dec-88	DBLCYEAG	DBLCYTAG
DBLCI-OY C	Corn	C	CBOT	11.25%	5.625%	7.500%	25.00%	2-Dec-88	DBLCOCNE	DBLCOCNT
DBLCI-OY W	Wheat	W	CBOT	11.25%	5.625%	7.500%	25.00%	2-Dec-88	DBLCOWTE	DBLCOWTT
DBLCI-OY S	Soybeans	S	CBOT	0.00%	5.625%	7.500%	25.00%	2-Dec-88	DBLCYESS	DBLCYTSS
DBLCI-OY SB	Sugar # 11	SB	NYBOT	0.00%	5.625%	7.500%	25.00%	2-Dec-88	DBLCYESB	DBLCYTSB
DBLCI-OY KC	Coffee "C"	KC	NYBOT	0.00%	0.00%	0.00%	0.00%	2-Dec-88	DBLCYEKC	DBLCYTKC
DBLCI-OY CT	Cotton #2	CT	NYBOT	0.00%	0.00%	0.00%	0.00%	2-Dec-88	DBLCYECE	DBLCYTCT
DBLCI-OY CC	Cocoa	CC	NYBOT	0.00%	0.00%	0.00%	0.00%	2-Dec-88	DBLCYECC	DBLCYTCC
DBLCI-OY KW	Kansas Wheat	KW	KBOT	0.00%	0.00%	0.00%	0.00%	4-Jan-89	DBLCYEKW	DBLCYTKW
Livestock										
DBLCI-OY LC	Live Cattle	LC	CME	0.00%	0.00%	0.00%	0.00%	2-Dec-88	DBLCYELC	DBLCYTLC
DBLCI-OY LH	Lean Hogs	LH	CME	0.00%	0.00%	0.00%	0.00%	2-Dec-88	DBLCYELH	DBLCYTLH
DBLCI-OY FC	Feeder Cattle	FC	CME	0.00%	0.00%	0.00%	0.00%	2-Dec-88	DBLCYEFC	DBLCYTFC

Source: DB Global Markets Research, Bloomberg page DBCM

Table 2: Bloomberg Codes For The Rest Of Deutsche Bank's Commodity Index Suite

	Total Returns	Excess Returns
Deutsche Bank Liquid Commodity Index	DBLCMAVL <Index>	DBLCMACL <Index>
DBLCI Ex-Gold	DBLCEGTU <Index>	DBLCEGEU <Index>
DBLCI-Mean Reversion	DBLCMMVL <Index>	DBLCMMCL <Index>
DBLCI-Mean Reversion Ex-Gold	DBMREGTU <Index>	DBMREGEU <Index>
DBLCI-Mean Reversion 'Plus'	DBLCMPUT <Index>	DBLCMPUE <Index>
DBLCI-Mean Reversion Enhanced	DBLCMRTU <Index>	DBLCMREU <Index>
DB Commodity Harvest Index	DBCMHLTU <Index>	DBCMHLEU <Index>
DB Commodity Harvest Index 10%TV	DBCMHVTA <Index>	DBCMHVEA <Index>
Components of the DBLCI		
DB Crude Oil Index	DBRCLTR <Index>	DBRCL <Index>
DB Heating Oil Index	DBRHOTR <Index>	DBRHO <Index>
DB Aluminium Index	DBRMALTR <Index>	DBRMAL <Index>
DB Gold Index	DBRGCTR <Index>	DBRGC <Index>
DB Wheat Index	DBRWTR <Index>	DBRW <Index>
DB Corn Index	DBRCTR <Index>	DBRC <Index>

Source: DB Global Markets Research, Bloomberg page DBCM

Appendix 1

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