Portfolio

Our view of non-traditional asset classes

Alternatives portfolios

Due to their distinct characteristics, we take a differentiated look at selected liquid and illiquid alternative investments.

Liquid alternatives

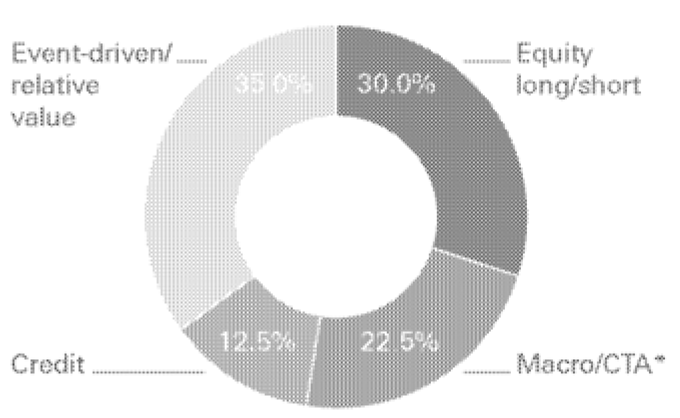
Event-driven

Equity special-situation-orientated managers and those running moderate net exposures (i.e. with long and short exposures to the market that are roughly in balance) continue generally to fare better than their credit and more directional peers. Within the merger-arbitrage sector, we prefer nimble and smaller managers which can operate within the small- to mid-cap segments of the equity market. Headline deals' spreads remain tight and a significant amount of capital is being put to work there. On the positive side, the mergers-and-acquisitions (M&A) spree is now expanding at full speed to Europe. Strategies based around this approach weathered last month's more volatile conditions reasonably well.

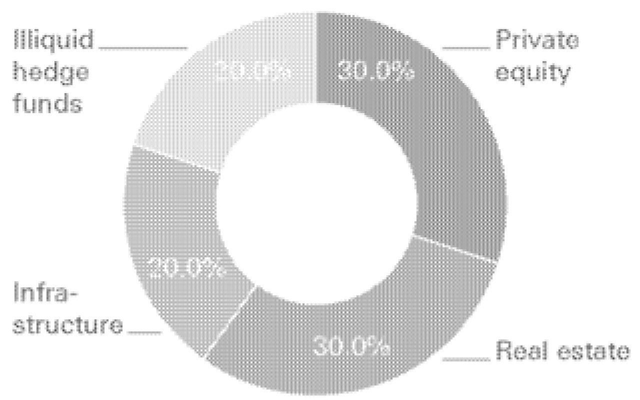
Equity long/short

With the MSCI World price-to-earnings multiple at around 18 and with such strategies historically relatively insensitive to overall market movements, any benefits from overall market gains are likely to be somewhat muted. As the start of the Fed hiking cycle is in sight, we would suggest that managers focussing instead on value sectors of the market should be favored. The equity trading environment continues to be favorable for arbitrage-orientated managers based on fundamental factors. The current earnings season and the possible start of the U.S. rate-hiking cycle are also contributing to increasing differentiation in single stocks' and sectors' performance.

Liquid alternatives



Illiquid alternatives



Illiquid alternatives

Infrastructure

Record investments in hotel assets worldwide have been taking place this year. Jones Lang LaSalle (JLL) has reported that global hotel transactions reached $42 billion in the first half of 2015. The Americas accounted for the largest share of deal volumes, with a total of $24 billion, up 73% year-on-year. This was followed by Europe, Middle East and Africa (EMEA), up 55% to $15 billion, while the Asia Pacific region saw a slight decline in investment volumes, down 6% to $4 billion. Although still a relatively small part of the market, hotels are gaining increasing investor attention. The sector is benefiting from rising growth in global travel (both business and tourism) and positive revenue growth. However, over the medium term some parts of the industry are likely to be disrupted by the emergence of alternative accommodation options such as Airbnb.

Sources: Deutsche Asset & Wealth Management Investment GmbH, Deutsche Bank AG Filiale London, as of 8/17/15.
This allocation may not be suitable for all investors. In our balanced model portfolio, we currently allocate 10% to alternative investments (see "Portfolio").
* Commodity Trading Advisor

Please refer to the following interview for the regulatory requirements for the offer or sale of alternative investments.

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