

# PowerShares DB Exchange Traded Notes

In 2008, Invesco PowerShares expanded its relationship with Deutsche Bank (DB) to offer the first exchange-traded products that seek to provide investors with a cost-effective<sup>1</sup> and convenient way to take a long, short or leveraged view on the performance of some of the most important commodities and sovereign fixed-income in the world.

## PowerShares DB Exchange Traded Notes: Understanding the Basics

**Definition:** PowerShares DB exchange-traded notes (ETNs) are senior, unsecured obligations issued by DB that are linked to the performance of specific indexes. The indexes are designed to reflect the performance of respective futures contracts.

**Mechanics:** Investors can buy and sell the ETNs on the NYSE Arca exchange or receive a cash payment at the scheduled maturity or early redemption, based on the performance of the index less investor fees. Investors may redeem commodity- and U.S. fixed-income-based ETNs in blocks of no less than 200,000 securities and integral multiples of 50,000 securities thereafter, subject to the procedures described in the pricing supplement. Sovereign fixed-income-based ETNs are redeemed in blocks of no less than 50,000 securities and multiples of 50,000 securities thereafter, subject to the procedures described in the pricing supplement. Redemptions may include a fee of up to \$0.03 per security.

In the secondary market, the ETNs track the value of the index because DB's obligatory repurchase price is a function of the index value.

**Hedging:** DB may use the proceeds from the sale of ETNs to enter into transactions to maintain and adjust a hedge against its obligations. Such transactions may involve the sale or purchase of futures contracts, options, or other derivative instruments with returns linked to the performance of one or more indexes or their components.<sup>2</sup>

## Leveraged ETNs

The leveraged commodity-based ETNs offer investors two times the exposure to the monthly performance or inverse monthly performance of the respective index, plus the monthly T-Bill Index return, subject to the investor fee of 0.75% per year. The sovereign debt-based ETNs offer investors three times the exposure to the monthly performance or inverse monthly performance of the relevant futures index plus the monthly T-Bill Index return, subject to the investor fee of 0.95% per year.

In contrast to many leveraged exchange-traded funds (ETFs), which generally reset their leverage daily, ETNs reset their leverage on a monthly basis. The reset schedule can have a significant impact on returns and should be understood prior to investing.

The following three tables are for illustrative purposes only, showing how different leverage resetting schedules can impact returns positively or negatively in different market environments. They are not depictive of any particular market conditions.

### Scenario 1:

	Monthly Leverage Reset					Daily Leverage Reset				
	Base Index	Calc. Base	%Change	Daily Value	Implied Leverage	Base Index	Calc. Base	%Change	Daily Value	Implied Leverage
Day 1	100.00	-	-	100.00		100.00	-	-	100.00	
Day 2	110.00	100.00	10.00%	120.00	200%	110.00	100.00	10.00%	120.00	200%
Day 3	100.00	100.00	-10.00%	100.00	183%	100.00	110.00	-9.09%	98.18	200%

1 Since ordinary brokerage commissions apply for each buy and sell transaction, frequent trading activity may increase the cost of ETFs.

2 No option strategy can eliminate risk, including the possible loss of principal. Option strategies, in particular, may result in the total loss of principal in a short period of time. Please note that options are not suitable for all investors and they may carry substantial risk.

## Scenario 2:

	Monthly Leverage Reset					Daily Leverage Reset				
	Base Index	Calc. Base	%Change	Daily Value	Implied Leverage	Base Index	Calc. Base	%Change	Daily Value	Implied Leverage
Day 1	100.00	-		100.00		100.00	-	-	100.00	
Day 2	110.00	100.00	10.00%	120.00	200%	110.00	100.00	10.00%	120.00	200%
Day 3	120.00	100.00	10.00%	140.00	183%	120.00	110.00	9.09%	141.82	200%

## Scenario 3:

	Monthly Leverage Reset					Daily Leverage Reset				
	Base Index	Calc. Base	%Change	Daily Value	Implied Leverage	Base Index	Calc. Base	%Change	Daily Value	Implied Leverage
Day 1	100.00	-		100.00		100.00	-	-	100.00	
Day 2	90.00	100.00	-10.00%	80.00	200%	90.00	100.00	-10.00%	80.00	200%
Day 3	80.00	100.00	-10.00%	60.00	225%	80.00	90.00	-11.11%	62.22	200%

The difference in performance between daily and monthly leverage reset arises from the difference in the base amount used for calculation. For monthly leverage reset, one base is used for the entire calendar month. For daily leverage reset, each closing value becomes the day one base for the next day's calculation.

### Monthly leverage reset calculation:

$(\text{Daily Closing Value} - \text{Day One Base}) / \text{Day One Base}$

### Daily leverage reset calculation:

$(\text{Daily Closing Value} - \text{Previous Day Closing Value}) / \text{Previous Day Closing Value}$

### Discovery:

The objective of this series is to offer timely investing perspectives on current trends and events. Wide-ranging and educational in nature, these pieces will attempt to offer actionable ideas to help investors optimize their approach to investing.

For more Discovery briefs, please visit [invescopowershares.com/resources/discovery](https://invescopowershares.com/resources/discovery)

### PowerShares DB ETN vs. PowerShares DB ETF Structure

- PowerShares DB ETNs are unsecured obligations of Deutsche Bank AG, London Branch; whereas the underlying securities contained in PowerShares DB ETFs are held in a fund.
- Holders of PowerShares DB ETNs currently receive Form 1099 for tax purposes only when they sell their ETNs. Holders of PowerShares DB ETFs receive Form K-1 for tax purposes each year even when not selling.<sup>1</sup>

<sup>1</sup> Deutsche Bank AG, London Branch, Invesco PowerShares and their affiliates do not provide tax advice, and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related penalties and (ii) was written to support the promotion or marketing of the instruments addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

## PowerShares DB ETNs

### Gold

- DGP - PowerShares DB **Gold Double Long** ETN
- DGZ - PowerShares DB **Gold Short** ETN
- DZZ - PowerShares DB **Gold Double Short** ETN

### Crude Oil

- OLO - PowerShares DB **Crude Oil Long** ETN
- SZO - PowerShares DB **Crude Oil Short** ETN
- DTO - PowerShares DB **Crude Oil Double Short** ETN

### Base Metals

- BDD - PowerShares DB **Base Metals Double Long** ETN
- BDG - PowerShares DB **Base Metals Long** ETN
- BOS - PowerShares DB **Base Metals Short** ETN
- BOM - PowerShares DB **Base Metals Double Short** ETN

### Agriculture

- AGF - PowerShares DB **Agriculture Long** ETN
- ADZ - PowerShares DB **Agriculture Short** ETN
- AGA - PowerShares DB **Agriculture Double Short** ETN

### Currency

- UUPT - PowerShares DB **3x Long US Dollar Index Futures** ETN
- UDNT - PowerShares DB **3x Short US Dollar Index Futures** ETN

### Sovereign Fixed-Income

- BUNT - PowerShares DB **3x German Bund Futures** ETN
- BUNL - PowerShares DB **German Bund Futures** ETN
- ITLT - PowerShares DB **3x Italian Treasury Bond Futures** ETN
- ITLY - PowerShares DB **Italian Treasury Bond Futures** ETN
- JGBT - PowerShares DB **3x Japanese Govt Bond Futures** ETN
- JGBL - PowerShares DB **Japanese Govt Bond Futures** ETN

### Commodity

- DYY - PowerShares DB **Commodity Double Long** ETN
- DPU - PowerShares DB **Commodity Long** ETN
- DDP - PowerShares DB **Commodity Short** ETN
- DEE - PowerShares DB **Commodity Double Short** ETN

### Fixed Income

- LBND - PowerShares DB **3x Long 25+ Yr Treasury Bond** ETN
- SBND - PowerShares DB **3x Short 25+ Yr Treasury Bond** ETN

## For further details on how you can use PowerShares DB ETNs in your portfolio, please contact your advisor.

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### Important Risk Considerations:

Deutsche Bank AG, London Branch has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus and other documents filed by Deutsche Bank AG, London Branch for more complete information about the issuer and this offering. You may get these documents for free by visiting [dbfunds.db.com](http://dbfunds.db.com) or EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, you may request a prospectus by calling 800.983.0903, or you may request a copy from any dealer participating in this offering.

The PowerShares DB ETNs are unsecured obligations of Deutsche Bank AG, London Branch, and the amount due on the PowerShares DB ETNs is entirely dependant on Deutsche Bank AG, London Branch's ability to pay. The rating of Deutsche Bank AG, London Branch does not address, enhance or affect the performance of the PowerShares DB ETNs other than the Deutsche Bank AG, London Branch's ability to meet its obligations. The PowerShares DB ETNs are riskier than ordinary unsecured debt securities and have no principal protection. Risks of investing in PowerShares DB ETNs include limited portfolio diversification, uncertain principal repayment, uncertain tax treatment, trade price fluctuations, illiquidity and leveraged losses. Investing in the PowerShares DB ETNs is not equivalent to a direct investment in the index or index components. The investor fee will reduce the amount of your return at maturity or upon redemption of your PowerShares DB ETNs even if the value of the relevant index has increased. If at any time the redemption value of the PowerShares DB ETNs is zero, your investment will expire worthless. An investment in the PowerShares DB ETNs may not be suitable for all investors.

The PowerShares DB ETNs may be sold throughout the day on NYSE Arca through any brokerage account. There are restrictions on the minimum number of PowerShares DB ETNs that you may redeem directly with Deutsche Bank AG, London Branch, as specified in the prospectus. Ordinary brokerage commissions apply, and there are tax consequences in the event of sale, redemption or maturity of the PowerShares DB ETNs. Sales in the secondary market may result in losses.

The market value of the PowerShares DB ETNs may be influenced by many unpredictable factors, including, among other things, volatile prices, changes in supply and demand relationships, changes in interest rates, and monetary and other governmental actions. Some PowerShares DB ETNs are concentrated in single commodity sectors, are speculative and generally will exhibit higher volatility than commodity products linked to more than one commodity sector.

Some PowerShares DB ETNs are leveraged investments. As such, they are likely to be more volatile than an unleveraged investment. There is also a greater risk of loss of principal associated with a leveraged investment than with an unleveraged investment.

PowerShares® is a registered trademark of Invesco PowerShares Capital Management LLC. Invesco PowerShares Capital Management LLC and Invesco Distributors, Inc. are indirect, wholly owned subsidiaries of Invesco Ltd.

An investor should consider the PowerShares DB ETNs' investment objectives, risks, charges and expenses carefully before investing. An investment in the PowerShares DB ETNs involves risks, including possible loss of principal. For a description of the main risks, see "Risk Factors" in the applicable pricing supplement and the accompanying prospectus supplement and prospectus.

This material must be accompanied or preceded by a prospectus. Before investing, please read the prospectus carefully.