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Portfolio & Index Strategy

Enhancing EURO STOXX 50 Based Returns ETFs versus Futures

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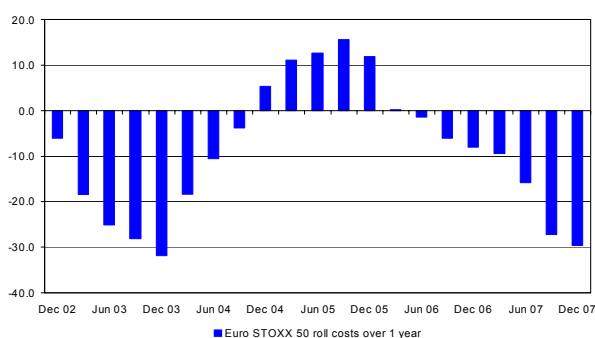
The EURO STOXX 50 index represents the most widely used index for gaining exposure to large cap Euro-zone equities via futures, options and ETFs. As a large cap index with significant information flow there can be limited opportunities to enhance returns. In addition there are a range of factors that impact index replication that can make it difficult for investors to match the performance of a total return index.

Futures offer the benefit of significant intraday liquidity, whilst historically roll costs have benefited long holders of the futures. Over the past year it would have been possible to add 30bps of outperformance by being long the futures, although roll-related transaction costs are likely to have lowered this to closer to 15bps. Additionally the roll contains risks relating to dividend expectations and there is always the risk that the roll could move to a premium to fair value.

ETFs are the primary exchange traded alternative to futures as index tracking products. The comparison of the relatively risky and more volatile futures-based enhanced returns, suggests that institutional investors with a medium term time horizon should be able to achieve more stable enhanced returns in a swap-based ETF and with lower tracking error than the comparable futures contracts.

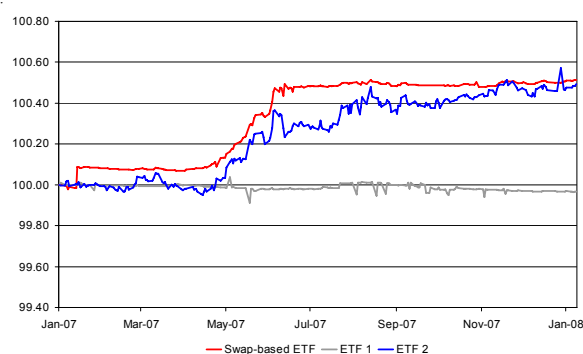
In our view, for a six month time horizon or longer, the potential benefits of the futures contract are outweighed by the on going roll, basis and execution risk. Investors holding the swap-based ETF benefit from the certainty regarding the overall costs, combined with the potentially enhanced returns that can offset the total expense ratios. The ability to create and redeem at net asset value is also an important part of the increased use of ETFs.

EURO STOXX 50 - Futures 1 yr Roll Costs



Source: Deutsche Bank, Markit, Reuters

Traditional & Swap based ETF Relative Returns



Source: Deutsche Bank, STOXX

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Enhancing EURO STOXX 50 based returns

The EURO STOXX 50 index represents the most widely used index for gaining exposure to large cap Euro-zone equities. It is also a core index for the trading of derivative products such as futures and options and exchange traded funds. As a large cap index with only a relatively narrow focus of 50 constituents there tends to be very high levels of liquidity in the underlying stocks combined with significant information flow that tends to arbitrage away opportunities to enhance returns. Thus investors looking to achieve enhanced returns, relative to the total return benchmark, face many challenges.

Index replication factors

There are a wide number of different factors that impact index replication that can make it problematic for investors to match the performance of a total return index let alone outperform it at relatively low risk. In addition to the factors that negatively influence performance compared to the benchmark, there are the transaction costs associated with merely trying to match benchmark returns.

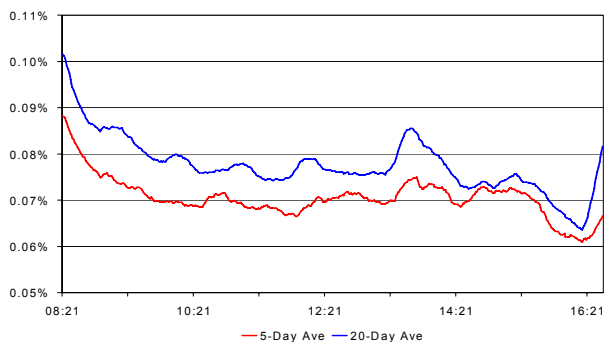
There are a mixture of costs and opportunities relating to holding either the full cash basket of constituents, trading futures or using ETFs.

Trading and execution - cash and futures

Even though the index comprises of large capitalisation and liquid names investors still have to consider liquidity issues that exist between the different instruments, specifically the cash market and futures. In the case of the EURO STOXX 50 there is a substantial difference in the intraday liquidity profiles between the aggregate trading in the underlying stocks and the futures market.

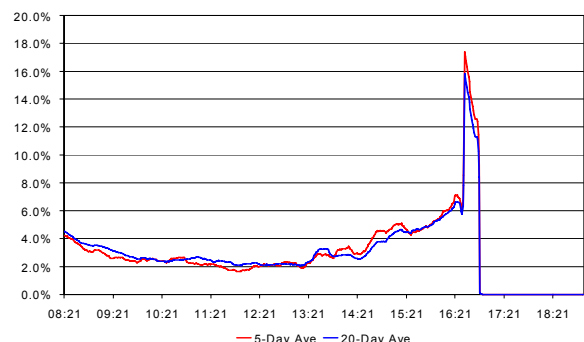
If one considers recent averages of intraday cash equity volumes for the index we typically observe, after the open, initial trading volumes that are around 5% of the daily total average. Liquidity then tends to drift lower as the morning progresses, reaching intraday lows at around late morning, ahead of corporate and economic newsflow relating to the US market. Whilst there tends to be a significant pickup in activity once the US market has opened the main liquidity of the whole trading day is typically at the close. Closing volumes can account for, on average, 15 to 17% of total average daily turnover.

EURO STOXX 50 - Intraday Bid/Ask Spread



Source: Deutsche Bank, Bloomberg

EURO STOXX 50 - Cash Market Intraday Flows



Source: Deutsche Bank, Bloomberg

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Please consult the appropriate ETF Offering Circular for full details and before any investment is made.

Futures offer high levels of intraday liquidity and longer trading hours

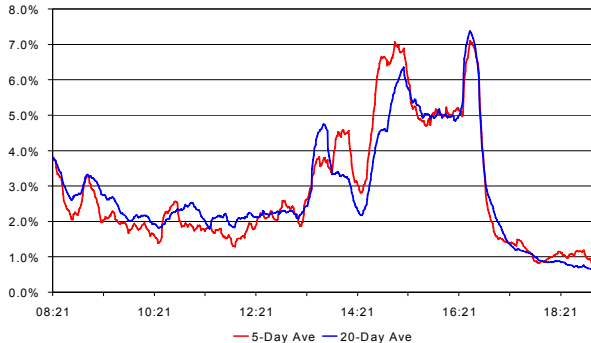
In contrast to this the futures markets offer a combination of both higher and more consistent liquidity. For example at the open whilst on average both markets trade around 4% of their respective daily totals, the futures market is equivalent to trading an underlying notional value of close to E2bn, compared to the average E1bn in the cash market. Similarly, even when markets are generally quieter in the late morning the futures market in the EURO STOXX 50 continues to have around double the liquidity compared to the cash market. In absolute terms the cash market close has the best liquidity profile with turnover of between E4 to E4.5bn compared to around E3bn in the futures at the same point. However, the futures market offers the benefits of being able to trade for significantly longer allowing investors to take advantage of trends in the US market and US specific news such as interest rate changes. So whilst the official cash market close is 17.35 (CET) the futures market trades until 22.00 (CET).

When comparing different markets and trading instruments investors also need to take into account factors such as the typical bid offer spread. In the cash market, at the open spreads are effectively at the day's highs at around 10bps. On average spreads are close to 7bps on a weighted basis. In contrast to this the futures market tends to trade on a 1point spread, which is the contract's tick size, with greater liquidity available at a 2 point spread. This translates into a bid ask spread of between 2.6bps and 5.2bps. The chart of daily trading volume of EURO STOXX 50 futures relative to the underlying cash equities shows that, even when one excludes roll periods, the futures have on average 3 to 4 times higher liquidity.

Trading and Execution EURO STOXX 50 ETFs

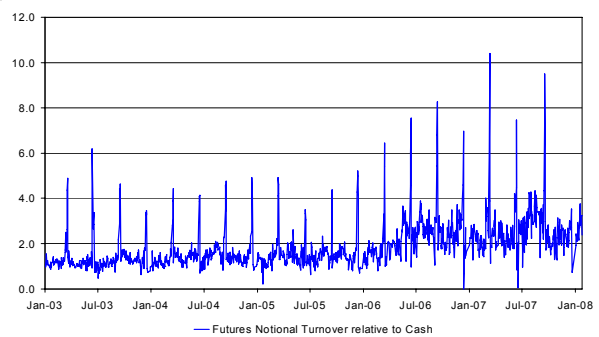
Investors wishing to trade in exchange traded funds should be able to capture liquidity in both markets due to their ability to trade out of either cash baskets into ETFs or EFP from futures into the ETF. Although on exchange liquidity is a useful guide to the degree of usage of individual ETFs, due to the creation and redemption process, it is not necessarily the most relevant aspect for investors to consider.

EURO STOXX 50 - Futures Intraday Flows



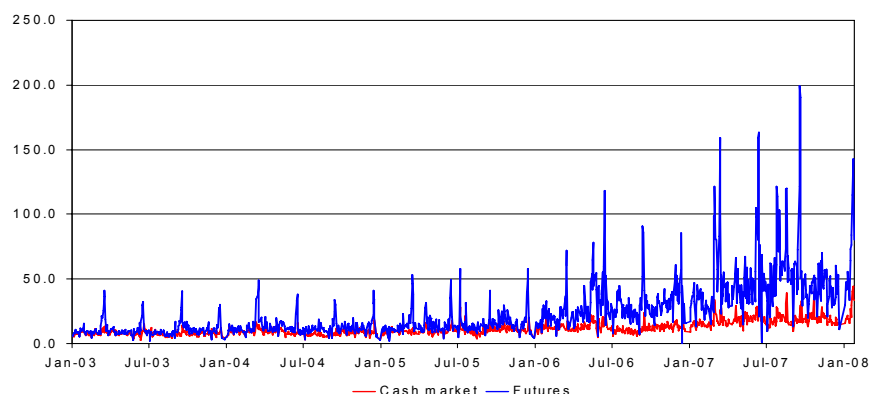
Source: Deutsche Bank, Bloomberg

Ratio of Futures to Cash Turnover



Source: Deutsche Bank, Bloomberg

EURO STOXX 50 - Cash and Futures Turnover (Ebn)



Source: Deutsche Bank, Bloomberg

Optimal ETF trading is based around creation/redemption at NAV

Depending on the ETF provider investors can also take advantage of the ability to create / redeem ETFs at the relevant net asset value on the day. This process ensures that investors can easily match the benchmark from an execution perspective and takes away a significant portion of execution costs in terms of market impact and risk.

In this context, investors need to also consider the different facilities offered by various ETF issuers. The most important consideration is likely to centre around the fact that swap-based ETFs are designed to deliver exact index performance less management fees and so offer the best ability to track the underlying benchmark from a trading perspective.

The main considerations when trading futures are fair value and roll costs

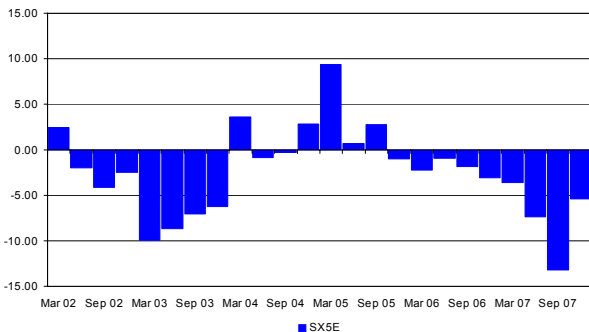
Futures costs

Although EURO STOXX 50 futures offer unparalleled access to intraday liquidity, investors need to factor in the longer term costs and risks of having to roll futures positions on a quarterly basis. Long holders of futures have tended to benefit from the fact that the EURO STOXX 50 futures have rolled cheap relative to our estimated fair value.

Since early 2002 there have been 24 quarterly rolls and if one focuses on the days of peak liquidity in the run up to expiry, we find that the futures have rolled cheap 75% of the time. For a period from March 2005 to September 2005 the roll traded at a premium. The chart below shows the trends in quarterly rolls, whilst the chart of aggregate roll costs over one year shows that recently investors would have been able to add 30bps of outperformance, excluding transaction costs, by using futures. We estimate that roll related transaction costs would remove around half of this leaving investors using futures with an estimated 15bps of improvement.

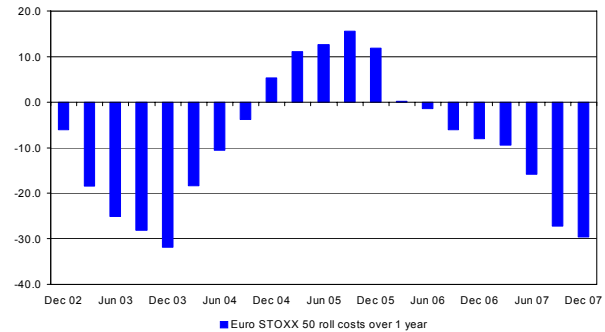
However, it should be noted that there is both roll and risk associated with running such a position for a significant period of time. Also it is conceivable that the roll could trade at premium to fair value or at the very least closer to fair value than has historically been the case.

EURO STOXX 50 - Market v Fair Roll Futures (bps)



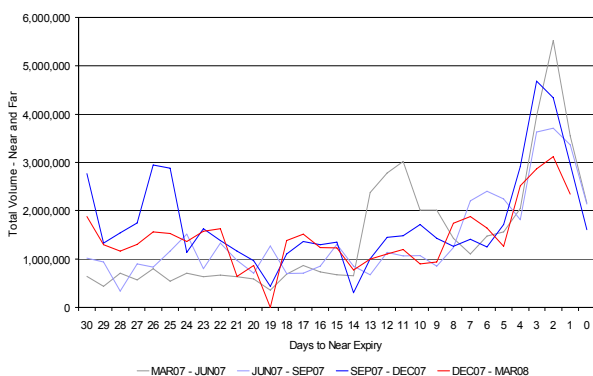
Source: Deutsche Bank, Markit, Reuters

EURO STOXX 50 - Futures 1 yr Roll Costs



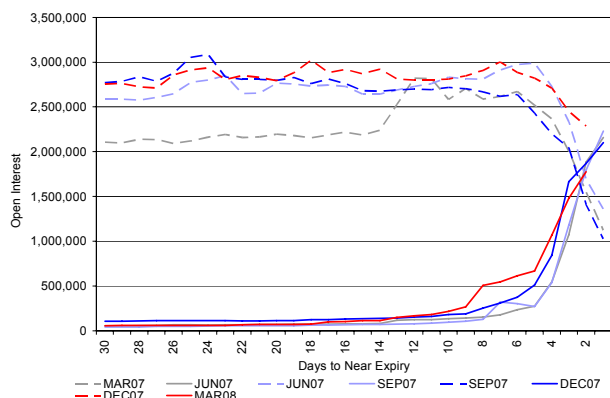
Source: Deutsche Bank, Markit, Reuters

Futures Volume Ahead of Expiry



Source: Deutsche Bank, Reuters

Profile of Near & Far Open Interest Ahead of Expiry



Source: Deutsche Bank, Reuters

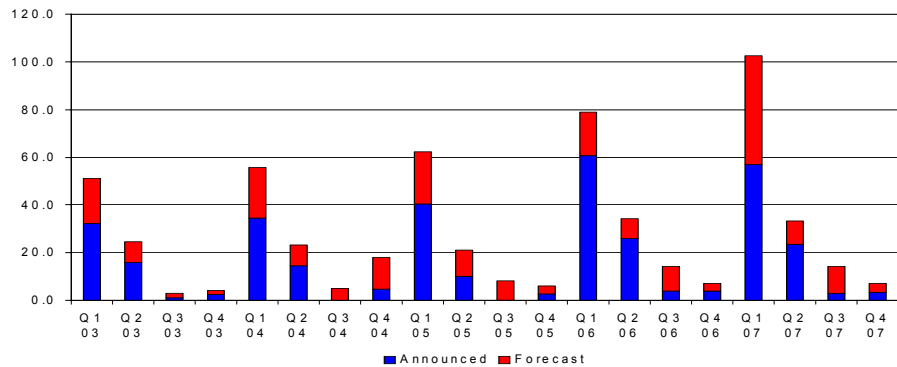
Dividends – costs and opportunities

There are a number of reasons why the futures roll can vary significantly from fair value. Whilst there may be structural issues with respect to overall market positions, we estimate that differing estimates for forecast dividends and tax treatments relating to dividends are responsible for a significant proportion of pricing differentials. The charts relating to dividends over time show ahead of each roll the proportion of dividends in the near and far contracts that are either announced or forecast.

In the EURO STOXX 50, dividends as a whole are significantly skewed to the main dividend paying season which covers the March to June roll, with another sizeable level of payout being present in the June to September roll. Whilst these represent the peak timings with respect to dividend uncertainty in the roll it should be noted that forecast dividends are a reasonably high proportion of all dividends throughout the roll.

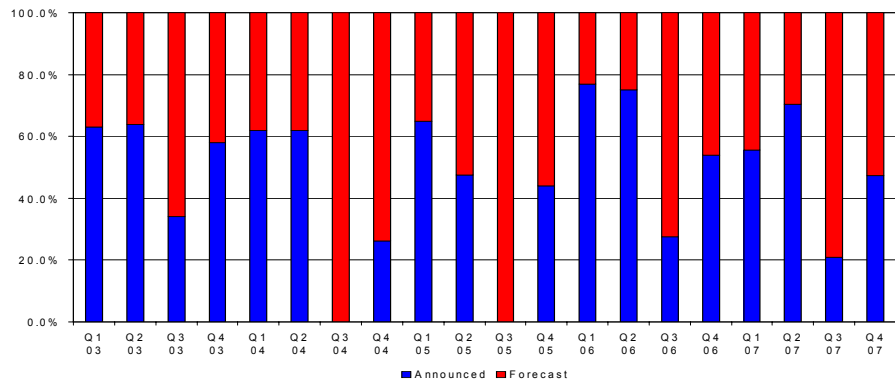
Dividend risk is focussed in the Q1 roll with smaller but still meaningful risk in Q2

Dividend Risk in the Quarterly Roll



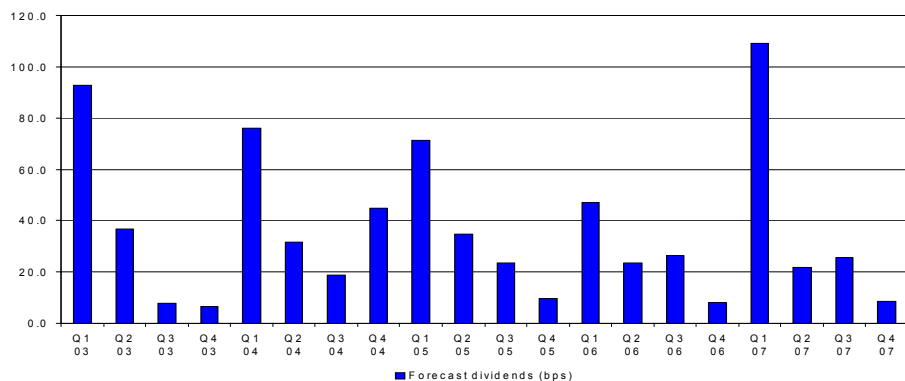
Source: Deutsche Bank, Markit

Quarterly Dividends - % Announced & Forecast



Source: Deutsche Bank, Markit

Forecast Dividends as % of the Index



Source: Deutsche Bank, Markit

In Q1, 2007 forecast dividends were over 100bps of the index during the roll

In absolute terms of the March to June roll tends to incorporate the highest absolute dividends and the highest absolute level of dividend forecast risk. The chart at the bottom of page 5 shows forecast dividends, since the first quarter of 2003, as a % of the index in bps. If one considers the roll in Q1 2007 we see that over 109bps of dividends in the roll was forecast. On a rolling one year basis, forecast dividend risk reached a high of over 174bps in Q3 2005 and recently has averaged 165bps.

In the past, one could reasonably assume that forecasts dividends will not tend to zero but probably merely deviate from expectations. In the current environment with much higher levels of economic and financial uncertainty, the dominant risk for investors is that forecast dividends may surprise on the downside. Irrespective of direction the main concern for investors trading futures is the increased level of risk and likely wider range of divergence between dividend forecasts.

The chart of dividends, for the coming year, shows the distribution in terms of index points on a monthly basis. This serves to highlight the fact that dividends are a constant source of risk and reinvestment related transaction costs. At a sector level it is apparent that for the EURO STOXX 50 there is a significant exposure to dividends from the banking and insurance sector. Together these sectors account for just over 31% of the index by weight but close to 41% of dividends for the coming year. The banking sector also has the lowest expected dividend growth with dividends expected to decline marginally.

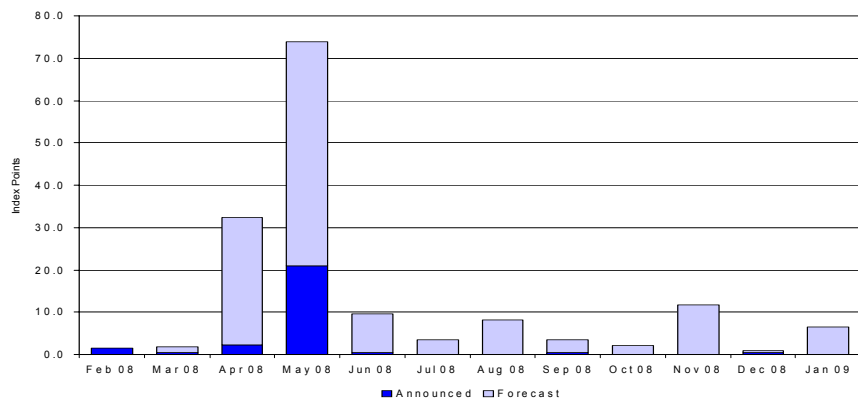
The table on page 17 shows constituent level data relating to index dividend points

Dividend treatment

STOXX, as with all index providers, has a matrix of the different tax rates that they apply when calculating net return indices. Given the constituents of the index and the relevant country rates that are used one can estimate that the overall tax rate for the EURO STOXX 50 is currently close to 77.6%. Generally investors will find it difficult and operationally cumbersome to achieve returns that are significant ahead of the total return index and whilst managing risk effectively. One tool that investors can use to enhance dividend-related returns is with single stock futures. However, even this requires a degree of expertise and management that can be time consuming and ultimately not deliver optimal results.

The profile of dividends within the year is clearly focussed on April and May

1 Year Forward Profile of EURO STOXX 50 Dividends



Source: Deutsche Bank, Reuters

Dow Jones STOXX Withholding Taxes

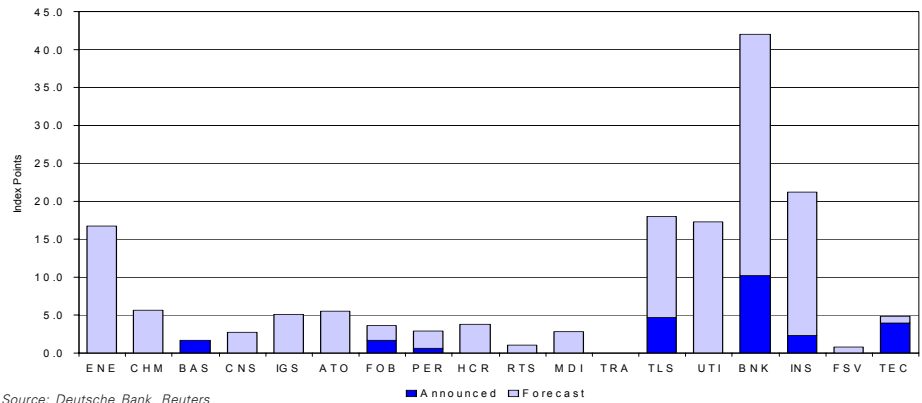
Country	Code	Withholding Tax
Austria	AT	25.00%
Belgium	BE	25.00%
Finland	FI	28.00%
France	FR	25.00%
Germany	DE	21.10%
Greece	GR	0.00%
Ireland	IE	20.00%
Italy	IT	27.00%
Netherlands	NL	15.00%
Portugal	PT	20.00%
Spain	ES	18.00%

Source: STOXX

The withholding taxes shown in the table are used in the calculation of net total return indices

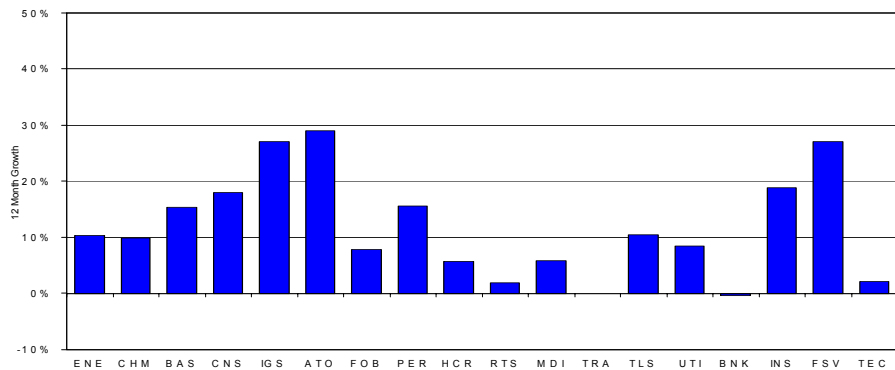
Sector Breakdown of Dividends for the Forthcoming Year

Financials account for over 40% of dividends in the coming year



Forecast Dividend Growth at a Sector Level

Dividend growth in the banking sector is set to be flat



Sector Breakdown of Dividends and Forecast Growth

Industry	No. of companies	Index Weight	Hist 12 Mth Divs	F/C Divs	12Mth Growth
Oil & Gas	3	8.7%	15.21	16.78	+10.3%
Chemicals	3	5.3%	5.13	5.64	+9.8%
Basic Resources	1	1.9%	1.41	1.63	+15.4%
Construction & Materials	2	1.9%	2.28	2.68	+18.0%
Industrial Goods & Services	2	4.6%	4.03	5.12	+27.1%
Automobiles & Parts	3	4.3%	4.30	5.55	+29.0%
Food & Beverage	2	3.2%	3.33	3.59	+7.8%
Personal & Household Goods	3	3.4%	2.50	2.88	+15.5%
Health Care	1	2.9%	3.55	3.76	+5.7%
Retail	1	1.3%	1.07	1.09	+1.9%
Media	1	1.6%	2.66	2.81	+5.8%
Travel & Leisure	-	-	-	-	-
Telecommunications	4	9.5%	16.31	18.02	+10.5%
Utilities	5	12.4%	15.89	17.24	+8.5%
Banks	9	20.4%	42.17	42.03	-0.3%
Insurance	6	10.8%	17.89	21.26	+18.8%
Financial Services	1	1.1%	0.65	0.82	+27.1%
Technology	3	6.7%	4.70	4.80	+2.2%

Source: Deutsche Bank



Transaction costs

Apart from the need to manage dividend and cash reinvestments investors also have to deal with corporate actions such as rights issues, takeovers, free float changes and share issues and general rebalances. There is also the cost of additions and deletions from the index and the turnover that this can cause, together with the turnover that can be due to extraordinary rule changes. Typically quarterly rebalance turnover for the EURO STOXX 50 is around 2.5%.

Merger and takeover activity can significantly increase total turnover in any given year, even before one takes in to account the effect of the annual review. In 2007 turnover was above average due to the high level of merger activity even in large capitalisation stocks, together with three additions and three deletions in the annual review.

Running a full portfolio of index constituents will incur on going management costs that will typically detract from the overall returns and these costs will impinge on the ability to match the index. Overall turnover has averaged 15% per annum if one includes quarterly, annual changes and takeover related activity. Investors can also gain revenue throughout the year by lending out stocks in their portfolios, although the returns for this in large capitalisation stocks can be relatively meagre.

EURO STOXX 50 - Annual Changes and Takeover related changes

In 2007, merger activity was a significant contributor to index turnover

Date	Addition Constituent	Country	Deletion Constituent	Country
14/02/00	CANAL +	FR	MANNESMANN AG -R-	DE
20/03/00	ENEL	IT	SAINT GOBAIN	FR
18/09/00	GROUPE DANONE	FR	ELECTRABEL SA	BE
18/09/00	SAN PAOLO-IMI	IT	METRO AG	DE
11/12/00	VOLKSWAGEN AG	DE	CANAL +	FR
23/07/01	TIM	IT	DRESDNER BANK	DE
24/09/01	SAINT GOBAIN	FR	KPN	NL
17/12/01	FORTIS	NL	FORTIS B	BE
23/09/02	LAFARGE	FR	PINAULT PRINTEMPS REDOUTE	FR
04/08/03	TELECOM ITALIA	IT	TELECOM ITALIA (Olivetti)	IT
22/09/03	IBERDROLA	ES	BAYERISCHE HYPO & VEREINSBANK	DE
28/07/04	SAP	DE	AVENTIS	FR
20/09/04	CREDIT AGRICOLE	FR	VOLKSWAGEN	DE
30/06/05	ALLIED IRISH BANKS	IE	TIM	IT
20/07/05	RENAULT	FR	ROYAL DUTCH PETROLEUM Assented	NL
02/01/07	INTESA SANPAOLO S.P.A.	IT	SAN PAOLO IMI	IT
24/09/07	ARCELOR MITTAL	LU	LAFARGE	FR
24/09/07	VINCI	FR	AHOLD	NL
24/09/07	SCHNEIDER ELECTRIC	FR	ALLIED IRISH BANKS	IE
10/10/07	VOLKSWAGEN	DE	ENDESA	ES
15/10/07	DEUTSCHE BOERSE	DE	ABN AMRO	NL

Source: Deutsche Bank

Exchange traded funds and enhanced returns

Over the past two to three years the substantial growth in the use of exchange traded funds in Europe has opened up a new market to institutional investors. Depending on the structure of the ETF, investors have been able to gain access to modestly enhanced returns at relatively low risk. Other characteristics of ETFs that have helped increase include the fact that they are simple to trade and settle just like ordinary shares whilst being open ended collective investment schemes.

The traditional ETF structure is based on holding the full underlying equities but may also incorporate dividend enhancement, stock loan and derivative strategies in order to provide better than index returns. Alternatively, and this applies to the majority of cases, the traditional ETF structure that focuses on holding a full basket of underlying index equities is more likely to deliver performance broadly in line with the index but overall underperformance due to the subtraction of management fees. This divergence of performance with respect to the EURO STOXX 50 is shown in the chart on page 9 for two traditional ETFs, labelled as ETF 1 and ETF 2.

An important aspect of the traditional ETF structure and total returns is the tracking error that is incurred as this is a useful overall measure of the risks associated with capturing these returns. In the case of ETF 2, which has the higher enhanced returns the tracking error versus the benchmark reaches a high of over 60bps in June 2006, whilst even ETF 1, which performs broadly in line with the index, has a peak tracking error of around 50bps.

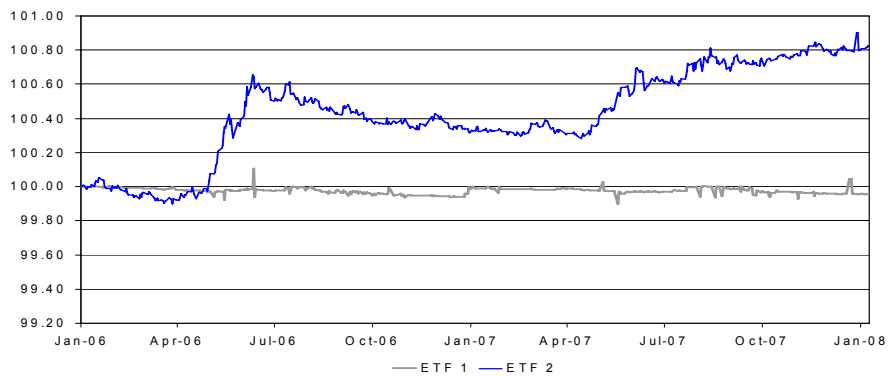
Although the ability of some traditional ETF structures to enhance returns has helped boost interest in the use of ETFs to track various indices, there remains a concern over the relatively high tracking errors that are often apparent. Investors ideally desire a combination of outperformance and low tracking error and hence low risk.

Innovation in the ETF market has been mainly driven by the creation of swap-based ETFs. These have allowed investors to capture benchmark returns and in some cases enhanced returns for a wide range of indices ranging from relatively straightforward large cap indices to more difficult emerging market and even frontier market indices.

An index swap structure typically benefits an ETF compared to owning the underlying equities due to the fact that the returns are based on the benchmark index. Effectively the index swap ensures that the ETF will have performance, before any management fees, at least matching the designated index. In essence all the risks and costs associated with running an ETF based on equities and measured against a total return benchmark are passed onto the provider of the OTC swap. This means that a swap-based ETF by the very nature of the returns that it now receives is likely to be considerably more efficient than one based on the standard structure running the full basket of underlying equities.

Traditional ETF structures can offer outperformance relative to the benchmark

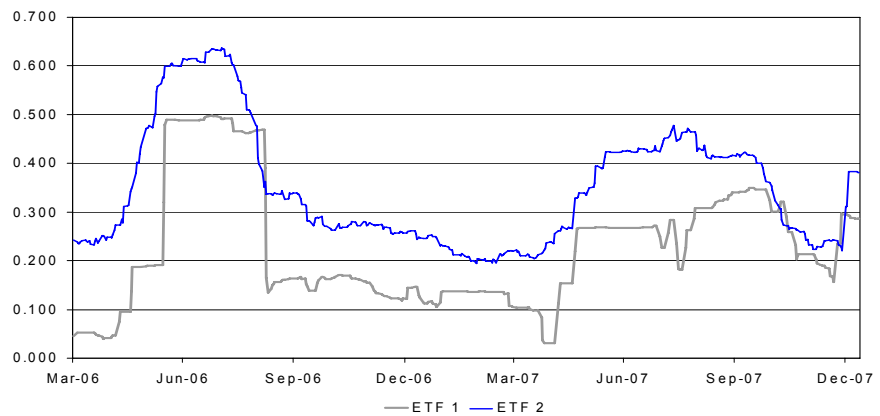
Traditional ETF Relative Returns



Source: Deutsche Bank, STOXX

However, traditional ETFs have relatively high tracking errors

Traditional ETF - Tracking Error (60 day)



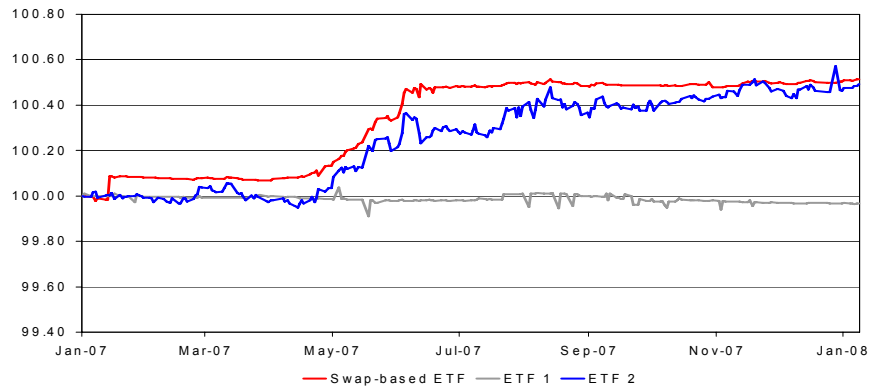
Source: Deutsche Bank, STOXX

Swap-based ETF returns

The main advantage that swap-based ETFs offers is the more consistent profile of enhanced returns combined with overall lower tracking errors. In the case of swap-based ETFs the tracking error tends to rise mainly during peak dividend paying season as the ETF benefits from various dividend enhancement strategies, whilst after that the tracking error falls sharply. This trend can be seen in the chart below where a swap-base ETF is compared to the same traditional ETF structures we have previously considered. The main differential apart from the more stable performance relative to the benchmark is that the tracking error has a peak of 28bps compared to close to 48bps for ETF 2, which also outperformed. Outside of the main dividend season the swap-based ETF has a tracking error of around 8bps compared to an average of close to 30bps for the traditional ETF structures.

Swap-based ETFs offer enhanced returns relative to the benchmark

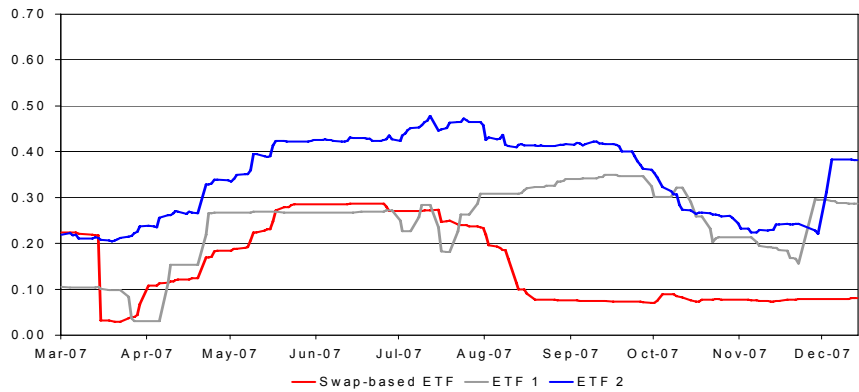
Traditional & Swap based ETF Relative Returns



Source: Deutsche Bank, STOXX

The swap-based ETFs also offer significantly tighter tracking error to the benchmark

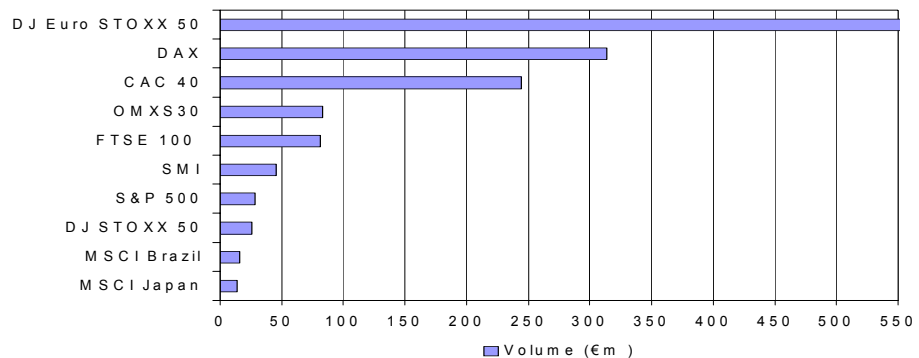
Traditional & Swap based ETF Tracking Error (60 day)



Source: Deutsche Bank, STOXX

EURO STOXX 50 ETFs dominate European ETF market turnover

ETF Equity Turnover by Index



Source: Deutsche Bank, Reuters

ETFs as index products

Whilst one of the key attractions of the more innovative ETFs on the market is the close matching of returns to the chosen benchmark, investors are also keen to take advantage of liquidity. It is important to note that liquidity, even for ETFs that have little on-exchange trading, is purely a function of the liquidity in the underlying basket of equities due to the creation and redemption process. Additionally primary dealers can also avail themselves of liquidity in the futures contract.

Fundamental to the pricing of ETFs is the underlying net asset value of the fund which is tied to the index that the fund is tracking. So that price discovery can take place in an orderly fashion it is normal for exchanges, on their ETF platforms, to calculate and publish live indicative net asset values based on information provided to the exchanges by the ETF issuers. The need to have high levels of transparency and disclosure ensures that investors have confidence in the data underlying the pricing environment.

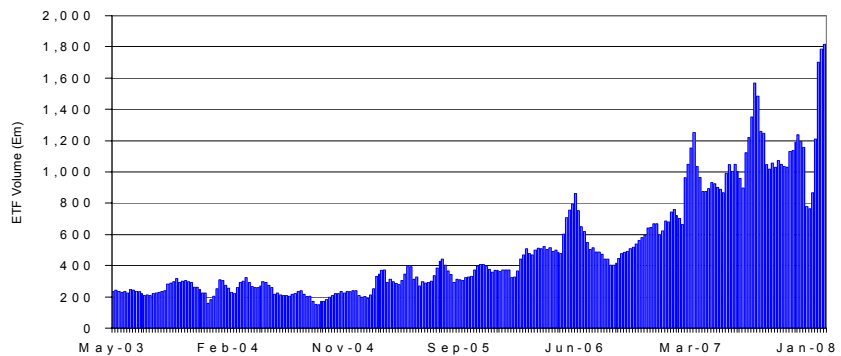
Pricing and liquidity is further enhanced by the presence and participation of dedicated market makers and liquidity providers. Investors can trade ETFs, as with shares, based on the liquidity available within the order book on the various exchanges. In markets where there are particularly liquid ETFs this liquidity may be sufficient for normal trading volumes.

One of the main catalysts for the increase in trading volumes in ETFs has been the move to sharply lower fees in some of the most popular products, notably in the EURO STOXX 50. This shift in fee structure has made ETFs significantly more attractive to institutional investors and has enhanced their competitiveness versus futures and index funds.

In many respects, increases in ETF liquidity has encouraged further growth in liquidity as investors gain confidence in the various ETF trading platforms. This has helped fuel the substantial increase in exchange and OTC ETF trading volume. The best gauge of greater use of ETFs can be seen in the long term growth trend in assets under management.

The European ETF market has developed markedly over the past three years with turnover jumping from E200m to E1.8bn

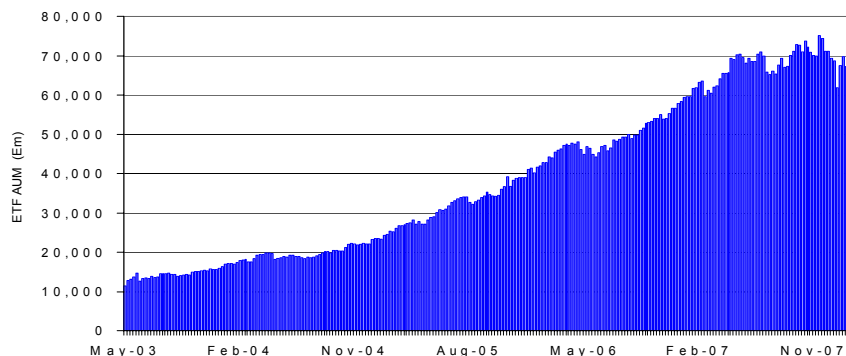
Historic European ETF turnover (Em)



Source: Deutsche Bank, Reuters

Assets under management have also increased dramatically from E20bn to close to E70bn.

Historic European ETF AUM (Em)



Source: Deutsche Bank, Bloomberg

EURO STOXX 50 ETFs set to grow

EURO STOXX 50 ETFs dominate trading in the European ETF market

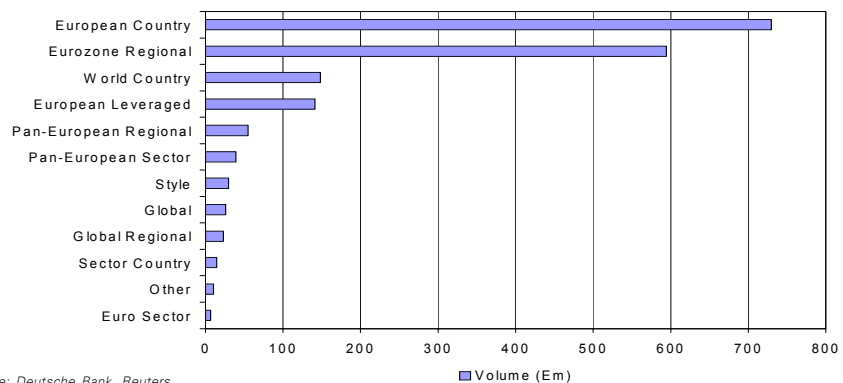
In terms of a single index the EURO STOXX 50 has dominated European ETF turnover for a long period and recently accounted for close to E550m of exchange-based turnover out of a total of close to E1.8bn. If one takes into account off-exchange transactions then the total is even higher. In addition, in the context of assets under management EURO STOXX 50-based ETFs now stand at over E15bn out of a European equity ETF total of close to E70bn. In comparison the EURO STOXX 50 futures have a notional value of E87bn, showing that the ETFs are gradually gaining wider acceptance even though futures trading volumes are significantly higher. The top 3 ETFs in Europe, in terms of assets under management, are based on the EURO STOXX 50.

We estimate that there will be a continued trend towards the use of ETFs as substitutes for futures, especially as investors begin to appreciate the benefits of the trade off between low tracking error enhanced returns and the inherent risks of continually rolling and trading futures positions. In the case of the EURO STOXX 50 investors have a wide range of ETFs, with different cost structures ranging from a low of 15bps to a high of 35bps. Additionally ETFs exist employing both traditional and swap-based structures. Investors also have the benefits of having EURO STOXX 50 based ETFs listed on all the main European exchanges although Euronext Paris and the Deutsche Borse dominate flows.

The comparison of the relatively risky and more volatile futures-based enhanced returns, relative to the EURO STOXX 50, suggests that institutional investors with a medium term time horizon should be able to achieve more stable enhanced returns in a swap-based ETF and with lower tracking error than the comparable futures contracts. In our view, if access to intraday liquidity is of primary importance, together with the benefits of leverage then the futures can offer, in the short term, a more flexible product. However, for a six month time horizon or longer, the potential benefits of the futures contract are outweighed by the on going roll, basis and execution risk.

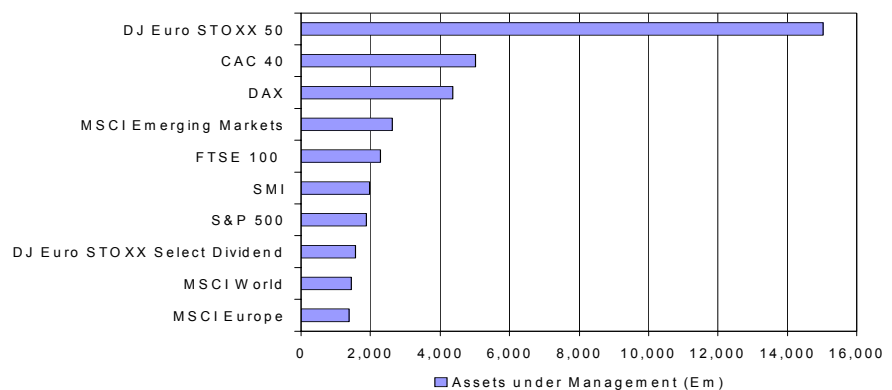
Country ETFs in aggregate have the highest turnover with DAX, CAC and FTSE being the main ETFs

Turnover by ETF Index Type



The EURO STOXX 50 ETFs have by far the highest assets under management

AUM per Underlying Index (Em)



Investors running pure stock portfolios and needing to manage cashflows to replicate the EURO STOXX 50 are also likely to consider the cost benefits of owning an ETF. Swap-based ETFs have the added feature of matching the underlying benchmark index and can be traded at net asset value. Investors also benefit from the certainty regarding the overall costs of holding the ETF, combined with the potentially enhanced returns that can offset the total expense ratios.

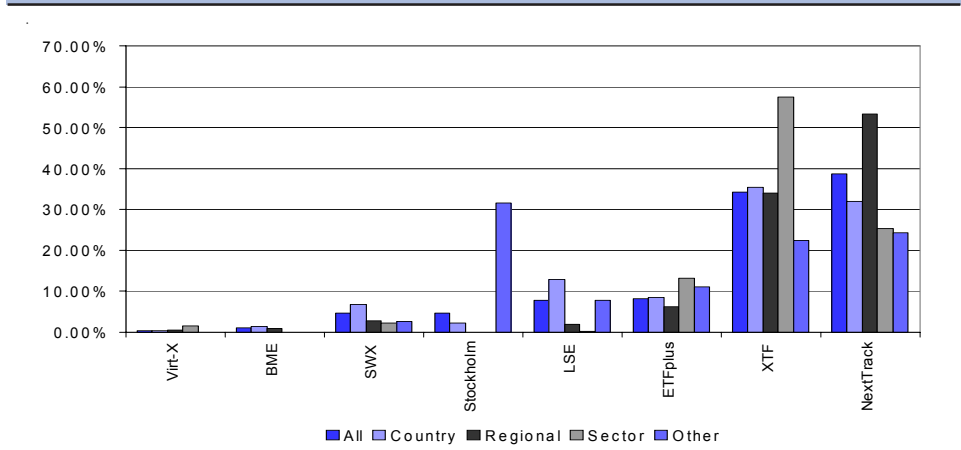
Investors wishing to trade EURO STOXX 50 based ETFs have a wide choice of exchanges for trading as well as a choice of ten ETFs. The main exchanges that dominate European liquidity are Euronext's NextTrack platform and the Deutsche Borses XTF platform. Amongst the wide number of ETFs, it is worth noting that there are only two swap-based ETFs relating to this index, one with a total expense ratio of 25bps and the other with an expense ratio of 15bps. Given that swap-based ETFs are designed to, at the very least, track the relevant benchmark index we expect over time that liquidity and asset gathering will tend to move to the cheapest product that offers a combination of low risk and enhanced total returns.

Top 15 European Listed Equity ETFs by AUM

ETF Name	Issuer	TER	Domicile	AUM (€m)
Lyxor ETF DJ Euro STOXX 50	Lyxor	0.25%	Fra	4,706.68
iShares DJ Euro STOXX 50	BGI	0.15%	Ire	3,723.87
iShares DJ Euro STOXX 50 (DE)	BGI (Deutschland) AG	0.17%	Ger	3,683.08
iShares DAX (DE)	BGI (Deutschland) AG	0.17%	Ger	3,229.80
Lyxor ETF CAC 40	Lyxor	0.25%	Fra	3,115.85
iShares FTSE 100	BGI	0.40%	Ire	2,098.13
iShares S&P 500 Index Fund (IUSA)	BGI	0.40%	Ire	1,871.79
XMTCH on SMI	Credit Suisse AM	0.38%	Swit	1,517.71
db x-trackers MSCI Emerging Markets TRN Index	ETF db x-trackers	0.65%	Lux	1,507.56
db x-trackers DJ Euro STX 50	db x-trackers	0.15%	Lux	1,394.77
iShares MSCI Japan	BGI	0.59%	Ire	1,153.42
EasyETF CAC 40	AXA IM / BNP Paribas	0.25%	Fra	1,025.66
iShares Dow Jones Euro STOXX Select Dividend 30	BGI (Deutschland) AG	0.32%	Ger	950.73
iShares MSCI Emerging Markets	BGI	0.74%	Ire	856.52
SPDR Europe 350	Credit Agricole AM	0.35%	Ire	797.69

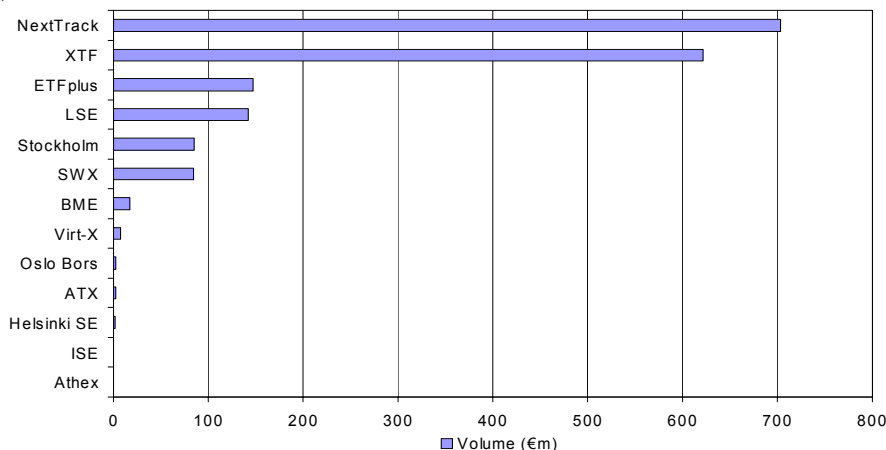
Source: Deutsche Bank, Bloomberg * Management fee as TER unavailable

Exchange market share summary



Source: Deutsche Bank, Reuters (showing exchanges with over 1% market share)

ETF Turnover by Exchange



Source: Deutsche Bank, Reuters

European Listed ETFs

ETF Name	Issuer	Exchange	UCIT III	Fund Currency	Bloomberg	Reuters	TER	Daily Av AUM (Eur)
Lyxor ETF DJ Euro STOXX 50	Lyxor	Euronext Paris	Y	EUR	MSE FP	MSE.PA	0.25%	175.5
Lyxor ETF DJ Euro STOXX 50	Lyxor	Deutsche Borse	Y	EUR	LYSX GY	MSE.DE	0.25%	34.4
Lyxor ETF DJ Euro STOXX 50	Lyxor	Borsa Italiana	Y	EUR	MSE IM	MSE.MI	0.25%	13.4
Lyxor ETF DJ Euro STOXX 50	Lyxor	BME	Y	EUR	MSE SM	MSE.MC	0.25%	1.5
Lyxor ETF DJ Euro STOXX 50	Lyxor	Vienna SE	Y	EUR	MSE AV	FR0007054358.VI	0.25%	0.9
Lyxor ETF DJ Euro STOXX 50	Lyxor	Swiss SE	Y	EUR	MSE SW	MSE.S	0.25%	0.5
iShares DJ Euro STOXX 50	BGI	Deutsche Borse	Y	EUR	EUN2 GY	LSTXXE.DE	0.15%	67.1
iShares DJ Euro STOXX 50	BGI	Euronext Paris	Y	EUR	EUE FP	LSTXXE.PA	0.15%	55.7
iShares DJ Euro STOXX 50	BGI	Euronext Amsterdam	Y	EUR	EUEA NA	LSTXXE.AS	0.15%	45.4
iShares DJ Euro STOXX 50	BGI	Borsa Italiana	Y	EUR	EUE IM	EJEMI	0.15%	16.6
iShares DJ Euro STOXX 50	BGI	Swiss SE	Y	EUR	EUNE SW	EUES	0.15%	5.0
iShares DJ Euro STOXX 50	BGI	Virt-X	Y	EUR	EUNE VX	EUEVX	0.15%	2.8
iShares DJ Euro STOXX 50	BGI	London SE	Y	EUR	EUE LN	LSTXXE.L	0.15%	2.0
iShares DJ Euro STOXX 50 (DE)	BGI (Deutschland) AG	Deutsche Borse	Y	EUR	SX5EEX GY	STOXX50EEX.DE	0.17%	79.9
iShares DJ Euro STOXX 50 (DE)	BGI (Deutschland) AG	Euronext Paris	Y	EUR	SX5EEX FP	GXE.PA	0.17%	41.1
iShares DJ Euro STOXX 50 (DE)	BGI (Deutschland) AG	Swiss SE	Y	EUR	SX5EEX SW	STOXX50EEX.S	0.17%	0.6
iShares DJ Euro STOXX 50 (DE)	BGI (Deutschland) AG	Vienna SE	Y	EUR	SX5EEX AV	DE0005933956.VI	0.17%	0.1
db x-trackers DJ Euro STX 50	db x-trackers	Deutsche Borse	Y	EUR	XESX GY	XESX.DE	0.15%	16.6
db x-trackers DJ Euro STX 50	db x-trackers	Borsa Italiana	Y	EUR	XESX IM	XESX.MI	0.15%	3.5
db x-trackers DJ Euro STX 50	db x-trackers	Swiss SE	Y	EUR	XESX SW	XESX.S	0.15%	0.9
EasyETF Euro STOXX 50-B	AXA IM / BNP Paribas	Euronext Paris	Y	EUR	ETD FP	ETD.PA	0.25%	1.1
UBS-ETF DJ Euro STOXX 50	UBS	Deutsche Borse	Y	EUR	FSEU50 GY	FSEUFLS	0.35%	3.2
UBS-ETF DJ Euro STOXX 50	UBS	Swiss SE	Y	EUR	FSEU50 SW	FSEUFLS	0.35%	1.7
UBS-ETF DJ Euro STOXX 50	UBS	Virt-X	Y	EUR	FSEU50 VX	FSEUFLVX	0.35%	0.5
Deutsche Bank Euro STOXX 50 DVG	DVG	Deutsche Borse	Y	EUR	SX5EDB GY	STOXX50EDB.DE	0.15%	0.5
UBS-ETF Euro STOXX 50 I	UBS	Swiss SE	Y	EUR	FRE SW	FRES	0.15%	0.6
UBS-ETF Euro STOXX 50 I	UBS	Deutsche Borse	Y	EUR	FRB GY	FRB.DE	0.15%	0.3
UBS-ETF Euro STOXX 50 I	UBS	Euronext Paris	Y	EUR	FRE FP	FRB.PA	0.15%	0.2
BBVA-Accion DJ Euro STOXX 50	BBVA Gestion SA SGIC	BME	Y	EUR	BBVAE SM	BBVAE.MC	0.15%	4.2
EasyETF Euro STOXX 50-A	AXA IM / BNP Paribas	Euronext Paris	Y	EUR	ETE FP	ETEF.PA	0.45%	0.2

Source: Deutsche Bank, Bloomberg, Reuters

European Listed ETFs

ETF Name	Issuer	Exchange Listings	Total Expense Ratio	Domicile	Total Daily Avg Vol (€m)	AUM (Euro m)
Lyxor ETF DJ Euro STOXX 50	Lyxor	AT, CH, DE, ES, FR, IT	0.25%	Fra	226.22	4,706.7
iShares DJ Euro STOXX 50	BGI	CH, DE, FR, GB, IT, NL, VX	0.15%	Ire	194.70	3,723.9
iShares DJ Euro STOXX 50 (DE)	BGI (Deutschland) AG	AT, CH, DE, FR	0.17%	Ger	121.70	3,683.1
db x-trackers DJ Euro STX 50	db x-trackers	CH, DE, IT	0.15%	Lux	21.05	1,394.8
UBS-ETF DJ Euro STOXX 50	UBS	CH, DE, VX	0.35%	Lux	5.38	306.4
BBVA-Accion DJ Euro STOXX 50	BBVA Gestion SA SGIC	ES	0.15%	Sp	4.23	152.8
EasyETF Euro STOXX 50-B	AXA IM / BNP Paribas	FR	0.25%	Fra	1.14	418.6
UBS-ETF Euro STOXX 50 I	UBS	CH, DE, FR	0.15%	Lux	1.07	175.2
Deutsche Bank Euro STOXX 50 DVG	DVG	DE	0.15%	Ger	0.51	269.1
EasyETF Euro STOXX 50-A	AXA IM / BNP Paribas	FR	0.45%	Fra	0.21	30.6

Source: Deutsche Bank, Bloomberg, Reuters

Appendix A

Dow Jones EURO STOXX 50 Futures

Constituent Weights and Forecast Dividend Points

Index Rules

Selection Lists

DJ EURO STOXX 50

Codes	
EURO STOXX 50	
Bloomberg code	VG(my)
Reuters code	STXE(c1)
Underlying Index	
Bloomberg code	SX5E
Reuters code	.STOXX50E

Futures Details

Dow Jones EURO STOXX 50

Exchange name:	Eurex (European Exchange)
Tick size:	1pt = Eur 10
Tick value:	10
Tick Currency:	Eur
Contract size:	EUR 10 per Dow Jones STOXX SM 50 and Dow Jones Euro STOXX SM 50 index point.
Trading months:	Up to 9 months. The three nearest quarterly months of the March, June, September and December cycle.
Last trading day:	Last Trading Day is the Final Settlement Day. Final Settlement Day is the third Friday of each maturity month; otherwise the exchange trading day immediately preceding that day. Trading in the maturing futures contract ceases at 12:00 CET.
Final settlement price:	The average of the Dow Jones STOXX SM 50/Dow Jones EURO STOXX SM 50 Index values calculated between 11:50 and 12:00 CET on the Last Trading Day. The Final Settlement Price is determined at 12:00 CET on the Last Trading Day.
Trading hours:	07.50 to 22.00 (CET)
Web site address:	www.eurexchange.com

Other products available Options, ETFs

Source: Contract Specification and web site details

Current Summary

Dow Jones EURO STOXX 50

Underlying Index Level 3,719.28

Futures Contract

Contract Value (Eur) 37,320
Contract Value (US\$) 54,810

Ave Daily Notional Value (US\$m) (5 day average) 67,354

Source: Deutsche Bank, Datastream, Bloomberg, Reuters

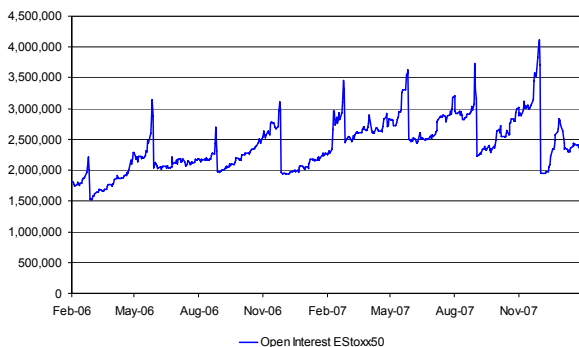
Open Interest / Average Daily Volume

ESTX 50 Notional Contract Value (m)

Ave Open Interest (3 months)	2,649,541	98,881
Ave Daily Volume (3 months)	1,597,964	59,636

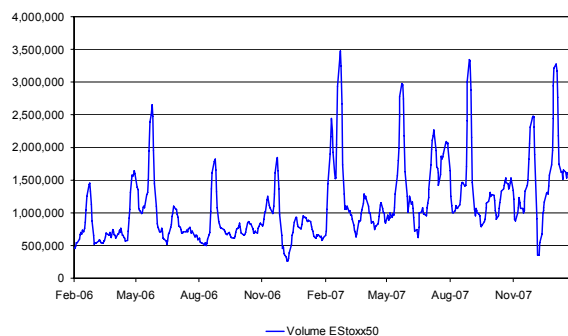
Source: Deutsche Bank, Datastream, Bloomberg, Reuters Notional value in local currency

Open Interest (2 years)



Source: Deutsche Bank, Datastream, Bloomberg, Reuters

Trading volume (2 years) 5 day ave



Source: Deutsche Bank, Datastream, Bloomberg, Reuters

DJ EURO STOXX 50 - Weights and Dividends

Individual Constituent Weights and Forecast Index Dividend Points

RIC	Constituent	Index Mkt Cap (E m)	Index Div Points	Index Weight %	% of Total Index Dividends
TOTF.PA	TOTAL	104786.1	8.7160	5.22%	5.60%
NOK1V.HE	NOKIA	99572.0	3.9507	4.96%	2.54%
EONG.DE	E.ON	87727.4	4.9926	4.37%	3.21%
TEF.MC	TELEFONICA	80913.6	6.7373	4.03%	4.33%
SIEGn.DE	SIEMENS	76789.5	3.5178	3.83%	2.26%
SAN.MC	BCO SANTANDER	74801.4	8.5635	3.73%	5.50%
CRDI.MI	UNICREDIT	66371.2	6.7265	3.31%	4.32%
SASY.PA	SANOFI-AVENTIS	57106.3	4.1842	2.85%	2.69%
ENI.MI	ENI	53964.4	6.2654	2.69%	4.02%
DAIGn.DE	DAIMLER	52491.2	3.7015	2.62%	2.38%
BNPP.PA	BNP PARIBAS	52180.1	5.4149	2.60%	3.48%
ALVG.DE	ALLIANZ	52001.3	4.6929	2.59%	3.01%
BBVA.MC	BCO BILBAO VIZCAYA ARGENTARIA	51759.5	5.6186	2.58%	3.61%
LYOE.PA	SUEZ	49441.0	3.0007	2.46%	1.93%
ING.AS	ING GROEP	46389.8	6.3712	2.31%	4.09%
FTE.PA	FRANCE TELECOM	45778.2	4.6671	2.28%	3.00%
BAYG.DE	BAYER	44049.0	1.6864	2.20%	1.08%
BASF.DE	BASF	42041.6	2.9399	2.10%	1.89%
RWEG.DE	RWE	41039.7	2.7814	2.05%	1.79%
ISP.MI	INTESA SANPAOLO	41034.3	4.0210	2.05%	2.58%
IBE.MC	IBERDROLA	41005.2	2.4054	2.04%	1.55%
AXAF.PA	AXA	39550.4	4.0558	1.97%	2.61%
DTEGn.DE	DEUTSCHE TELEKOM	39467.9	4.4040	1.97%	2.83%
MTP.PA	ARCELORMITTAL	39122.4	1.5980	1.95%	1.03%
DBKgn.DE	DEUTSCHE BANK	38581.9	4.2711	1.92%	2.74%
SOGN.PA	GRP SOCIETE GENERALE	37016.8	0.7954	1.84%	0.51%
UNc.AS	UNILEVER NV	36489.4	2.5027	1.82%	1.61%
GASl.MI	ASSICURAZIONI GENERALI	32481.8	1.9861	1.62%	1.28%
FOR.AS	FORTIS	31836.3	5.0076	1.59%	3.22%
ENEl.MI	ENEL	31346.6	3.9669	1.56%	2.55%
VIV.PA	VIVENDI	31047.3	2.8013	1.55%	1.80%
SAPG.DE	SAP	29579.2	0.8314	1.47%	0.53%
PHG.AS	PHILIPS ELECTRONICS	28201.4	1.4110	1.41%	0.91%
DANO.PA	GRP DANONE	27709.4	1.0693	1.38%	0.69%
CARR.PA	CARREFOUR SUPERMARCHE	25176.2	1.0822	1.25%	0.70%
MUVGn.DE	MUENCHENER RUECK	24719.5	2.2715	1.23%	1.46%
DB1Gn.DE	DEUTSCHE BOERSE	23496.0	0.8188	1.17%	0.53%
OREP.PA	L'OREAL	21989.2	0.6642	1.10%	0.43%
AIRP.PA	AIR LIQUIDE	21965.0	1.0183	1.09%	0.65%
VOWG.DE	VOLKSWAGEN	21607.7	0.4617	1.08%	0.30%
SGEF.PA	VINCI	21542.3	1.4895	1.07%	0.96%
TLIT.MI	TELECOM ITALIA	19781.3	2.1315	0.99%	1.37%
LVMH.PA	LVMH MOET HENNESSY	18117.6	0.8057	0.90%	0.52%
SCHN.PA	SCHNEIDER ELECTRIC	17744.7	1.5800	0.88%	1.02%
REP.MC	REPSOL YPF	17700.1	1.6013	0.88%	1.03%
SGOB.PA	SAINT GOBAIN	15872.6	1.1833	0.79%	0.76%
RENA.PA	RENAULT	14867.3	1.4364	0.74%	0.92%
CAGR.PA	CREDIT AGRICOLE	14497.0	1.6746	0.72%	1.08%
AEGN.AS	AEGON	13973.8	1.7879	0.70%	1.15%
ALUA.PA	ALCATEL LUCENT	9730.9	0.0000	0.48%	0.00%

Source: Deutsche Bank, STOXX, Markit



Dow Jones STOXX

Dow Jones EURO STOXX 50

Products available Futures, Options, ETFs

The Dow Jones STOXX 50 and the Dow Jones EURO STOXX blue-chip indices are subsets of the Dow Jones STOXX 600 index; they only contain stocks from the respective regions.

Criteria for inclusion in the index

Eligible securities

In each market sector, the largest stocks qualify for the review list until coverage is close to, but less than 60% of the respective TMI market sector's total free float market capitalisation at the end of August. Although the next-ranked stock would increase the coverage above 60%, if it brings the coverage closer to 60%, it would qualify for the review list. Any current constituents are added to the selection list.

The largest 40 stocks ranked by free float market capitalisation on the selection list are selected, the remaining 10 stocks are selected from the largest remaining current stocks ranked between 41 and 60. If the number of stocks selected is still below 50, then the remaining stocks are selected until there are 50 stocks.

Liquidity

The Supervisory Board may delete stocks that are illiquid for the following reasons:

- (i) ten consecutive non-trading days;
- (ii) suspension from trading;
- (iii) ongoing bankruptcy proceedings - this would be effective immediately following a minimum notification period of two trading days.

Free float & cross-ownership

All stocks are ranked by free-float market capitalisation. The number of shares and free-float factors are reviewed quarterly.

A stock's total market cap is adjusted for block ownership to reflect the free-float market capitalisation - i.e. the portion of investible shares. Adjustment will take place if over 5% of the outstanding shares are held either through cross-ownership, government ownership, private ownership or restricted shares (i.e. foreign ownership restrictions). The larger of the block ownership adjustment and the restricted shares adjustment is applied. Free-float factors are reviewed quarterly.

Free-float factor changes - free-float factors may be changed because of extraordinary corporate actions that change the free-float factor by more than five percentage points (effective - immediately) or less than five percentage points (effective - at next quarterly review).

Cap limit: If the weighting of a blue-chip component is more than 10% of the total free float market capitalisation of the respective blue-chip index, then it is reduced to 10% by a weighting cap factor that is fixed until the next quarterly review. Exception: when the combined free float adjusted number of shares changes by more than $\pm 10\%$ from one trading day to the next: Announced immediately, implemented two trading days later and effective the next trading day after implementation.

Review of constituents

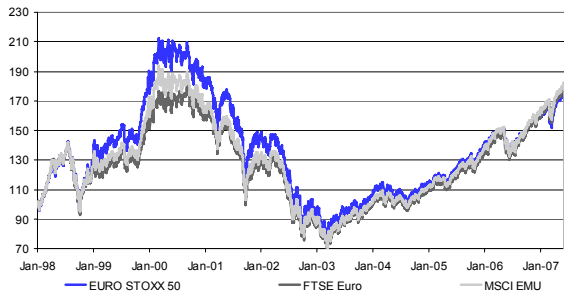
There is an annual review of the index constituents in August, with components being announced on the first trading day of September. Changes will be implemented on the third Friday in September to coincide with the September quarterly reviews for all the other STOXX indices.

The annual blue chip index review procedure is applied on the last trading day of each month to produce the selection list which is valid for the following month and will be used for any replacements needed in the index due to corporate actions. The selection list for September is valid for the annual blue chip index review.

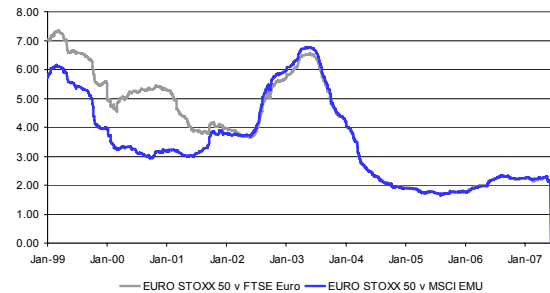
Additions / Deletions

Extraordinary corporate actions - e.g. mergers, takeovers, spin-offs, initial public offerings, delistings and bankruptcy - that affect the index composition are continually reviewed. Changes are announced a minimum of two trading days before the implementation and are effective on the next trading day.

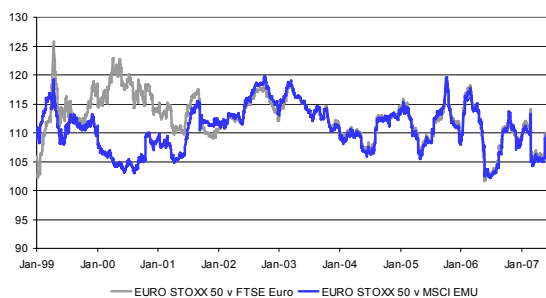
Codes	
EURO STOXX 50	
Underlying Index	
Bloomberg code	SX5E
Reuters code	.STOXX50E
Futures	
Bloomberg code	VG(my)
Reuters code	STXE(c1)

Performance - EURO STOXX 50

Source: Datastream, Deutsche Bank

Tracking error - EURO STOXX 50

Source: Datastream, Deutsche Bank

Relative volatility - EURO STOXX 50

Source: Datastream, Deutsche Bank

Summary table**Dow Jones STOXX & EURO STOXX**

Open / Closing times	09:00 CET to 17:35 CET
Review period	Annually
Share changes	Quarterly
Type of index	Capitalisation w eighted price index
Maximum w eight	10%
Futures traded on	Eurex

Source: Index Providers Rules, Deutsche Bank

Initial Public Offerings - If an IPO qualifies for inclusion in the Dow Jones STOXX TMI indices, it is fast tracked for addition to the respective blue chip indices at the same quarterly review if it fulfils the additional criteria namely:

- (i) it would have qualified for the monthly blue chip selection lists;
- (ii) it would have been ranked 40 or above on the respective blue chip selection lists and it would have been the largest non-blue chip component on the list.

The successful IPO replaces the smallest blue-chip component in the respective index at the quarterly review.

Replacement of deleted components - If the deleted stock is a blue-chip index component, it is replaced with the largest non-component on the last published respective blue-chip selection list.

Spin-offs - For the blue-chip indices, if the original company is a component, then if the largest of the spin-offs were to be ranked 60 or above on the respective monthly blue chip selection list then it replaces the original stock in the respective list. If any of the other smaller spin-offs were to be ranked 60 or above and not be the smallest stock in the index, it would replace the smallest current component of the index. These changes all follow a minimum notification period of two trading days.

Mergers & takeovers - If the merger/takeover involves two blue-chip components, then the surviving company would replace the larger of the original blue chip components in the index. The Supervisory Board will be responsible for this decision, which is effective immediately following a minimum notification period of two trading days.

Share changes - A stock's weighting may be changed following extraordinary corporate actions that change the number of shares from one trading day to the next by more than $\pm 10\%$ or Free float factor changes by more than $\pm 5\%$ or changes to the combined free float adjusted number of shares by more than $\pm 10\%$ (Announced immediately, implemented two trading days later and effective the next trading day after implementation), stock dividends, or similar corporate actions (effective next trading day), changing the number of shares by more than $\pm 10\%$ or over a period of time (effective at the next Quarterly review).

Other changes - Primary market changes - if a stock's primary market listing is not in the regional universe, it is deleted from all indices.



STOXX Selection Lists

The monthly selection lists indicate possible changes to the blue-chip indices. Extraordinary events - such as delisting, bankruptcy, merger, takeover or an initial public offering - might necessitate a change in the composition of a blue-chip index before the next annual review (September 2008). In such cases, the monthly blue-chip selection list that is current at the time the change is announced is used as the basis for adding/deleting a blue-chip component.

The two selection lists are drawn up on a regional basis. They comprise 60% of the market capitalisation of each of the 18 market sectors across the two regions - Europe and Eurozone. Stocks are ranked by market capitalisation within each sector, and the largest companies are chosen until 60% of the sector is represented. In addition, all companies in the blue-chip indices are automatically included in the appropriate selection list regardless of their ranking within the sector.

The tables below show the largest stocks on the selection lists that are not currently constituents of the blue-chip indices. Should a stock be deleted from either of the blue-chip indices during the next month, the first stock from the corresponding 'reserve list' will be chosen as the replacement.

EURO STOXX Reserve List			
Stock	Country	Sector	Market Cap (Euro m)
DEUTSCHE POST	Germany	Industrial Goods & Services	18,155.02
LAFARGE	France	Construction & Materials	15,091.73
BOUYGUES	France	Construction & Materials	14,231.26
CRH	Ireland	Construction & Materials	13,729.88
ALSTOM	France	Industrial Goods & Services	13,032.89
UNIBAIL-RODAMCO	France	Financial Services	12,925.95
PERNOD RICARD	France	Food & Beverage	12,308.30
BMW	Germany	Automobiles & Parts	11,829.93
THYSSENKRUPP	Germany	Industrial Goods & Services	11,774.22
TNT	Netherlands	Industrial Goods & Services	11,383.29

Source: Deutsche Bank, STOXX

The Dow Jones EURO STOXX 50 is a subset of 50 companies from the EURO STOXX index. The base level of the index was 1,000 on 31 December 1991. The index is capitalisation-weighted. The number of shares outstanding for each company is reviewed quarterly and the number is applied as of the third Friday of March, June, September and December. The weight of any stock in the index is limited to 10% of the index. The composition of the index is reviewed annually, and the changes implemented on the third Friday in September.

Appendix 1

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