The original pioneers

Lyxor ETF, leading the way since 2001

This document is for the exclusive use of investors acting on their own account and categorised either as “eligible counterparties” or “professional clients” within the meaning of markets in financial instruments directive 2004/39/ce
Back in 2001, Exchange Traded Funds (ETFs) were still in their infancy. Offering a completely fresh approach to investing in global markets, they unleashed unparalleled opportunities to investors. Right from the start, Lyxor was a pioneer, driving change as one of the very first ETF providers.

Now, many years later, we’re still leading the way. We’re constantly innovating, introducing new ideas and focusing on optimum performance and unparalleled quality.

Our passion and spirit stem from one simple aim: Delivering the best possible return for our investors.

Our passion for innovation and commitment to quality has kept us at the forefront of the industry from the start. Despite forging ahead for more than 15 years, our dedication has never waned. Even now we’re growing faster than most, and have recently become Europe’s second largest issuer, both by liquidity and now AUM.

Arnaud Llinas,
Global Head of ETF & Indexing
Whenever you're stepping out into new territory, you need a partner you can rely on. Someone who doesn't just know the lie of the land, but understands exactly where you're trying to get to.

That's where the pioneering spirit of Lyxor can help. When we first launched back in 2001, we wanted to create something completely unprecedented in the world of finance. We've remained true to that spirit, dedicating all our efforts to creating a wide range of highly efficient funds that track precisely and trade efficiently in all market conditions.

So when you take that first initial step on your investment journey, no matter what asset class, region or investment strategy you're considering, no matter how far off the beaten track you want to go, you know our funds are designed to perform and keep your money safe.

Our pioneering approach has delivered some truly impressive results. As the second largest ETF provider in Europe, we offer some of the largest, most established and most efficient ETFs in the market. And with over 220 funds to choose from, we really are your one-stop-shop for investing with confidence, now and in the future.

We want to continue to push the market forward, being the most innovative and best-performing ETF provider in Europe.

Arnaud Linas, Global Head of ETF & Indexing

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2 Source: Bloomberg and Lyxor, data from December 31st 2015 to December 31st 2016. The rationale and construction of the indicator are detailed in an academic paper published by Marlene Hassine, ETF strategist. The academic paper can be downloaded from SSRN: http://ssrn.com/abstract=2212596 or from REPEC: http://ideas.repec.org/p/pra/mprapa/44298.html
We’ve been here right from the beginning. As a founding provider, we have a long track record of success in Europe, giving you the confidence you need to trade with conviction.

We are Europe’s second largest ETF issuer, which means more ETF investors trust us with their money than practically anyone else. And we have some of the market’s largest and longest running ETFs available in Europe1.

We are dependable

With precise tracking, effective risk management and a focus on liquidity, we’re a safe brand that you can rely on.

You don’t have to take our word for it. Our commitment to transparency means you can always see what we’re tracking, how we’re doing, and exactly what’s in the basket. Read more about our ETF Quality Charter on page 15.


Three reasons to choose Lyxor

1. We are accomplished

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Jan 2001
Lyxor lists the first CAC 40 ETF in Europe

Oct 2006
Lyxor launches its first Smart Beta ETF

Dec 2011
Lyxor sets up the ETF Quality Charter, demonstrating our commitment to high industry standards

Feb 2017
First Green Bond ETF in the world launched by Lyxor

Nov 2015
Lyxor creates the ETF Research Academy

April 2010
Lyxor first in the market to launch double short bund ETF

May 2015
Lyxor launches our innovative, actively managed Smart Cash ETF

April 2016
Lyxor first in Europe to reach ETFs tracking inflation expectations

Feb 2017
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Our Quality Standards

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3. We are far-reaching

As true pathfinders, we have always been determined to conquer new territories and open up new opportunities. That’s why we now offer an impressively comprehensive product range, providing everything from global coverage to specific sectors and from market cap to Smart Beta.

Wherever you want to invest, however you want to do it, Lyxor offers you a one-stop-shop to realise your objectives. Our nimble approach and our focus on delivering new solutions for our investors means that you can breach deeper into the markets to secure new opportunities.

Taking you to new frontiers

When the market began, ETFs were all about simple market access. We’ve come a long way since then, and Lyxor has led the way. Today, ETFs can be used to address the very specific challenges of the market. Investors no longer need to fear rising rates, inflation, volatility, or even market corrections.

We have crafted a carefully created range of dedicated risk management ETFs whose very purpose is to address your needs.

Going green

More and more investors are telling us they want to be able to invest in environmentally friendly ways. We are at the forefront of this new development, offering you new products and information to help you switch to a low carbon approach. We recently launched the world’s first ever Green Bond ETF and have an ambitious road map of products still to come.

Getting smarter

The world of Smart Beta has also really captured investors’ imagination, as they look for new ways to manage risk, optimise performance or generate income. Our expertise in financial engineering and research makes Smart Beta a natural fit for Lyxor, so it’s no surprise that we’re a leader here too, with €3.3bn in assets under management.

However the markets develop, whatever your clients’ requirements in the future, you can be sure that Lyxor will always be out in front, uncovering new opportunities and delivering new ways to generate performance.

Bigger

We are number one for many European and Emerging equity exposures, and now rank number two for fixed income, where we offer one of the market’s most diverse ranges. For Smart Beta we currently rank as number three for assets under management. So when you choose Lyxor you can take comfort in the knowledge that you are choosing a provider with a proven track record.

220+

Our range is one of the most diverse in Europe

Our experts across the business are all focused on designing the very best solutions for our clients. That’s where understanding the detail is vital. We keep careful watch on the market to make sure we have every base covered, constantly adapting our range as conditions change. So whatever the markets are throwing at you, or wherever you see the opportunity, you can be confident that we have an ETF to help.

But when you take that bold step into a new market you need to be confident in the choices you make. Because we forever strive to deliver the best possible result for you, we constantly study every detail of every fund to ensure they are leading their class for both performance and quality.

Carefully engineered by caring people
Our funds may be designed for easy access, but a huge amount of heartfelt creativity and personal pride has gone into every single one. Our product development team goes the extra mile to find the right index, or create an entirely new one where none can be found.

Our portfolio managers stop at nothing to make sure every fund tracks its index with absolute precision and consistency. They take every detail into account, including fees, tax, dividends, currencies and market conditions, to make well-informed decisions to do the right thing for you, the investor.

The result? Risk is controlled across every fund, so the only thing you need to consider is where best to invest.

We continually monitor every fund to ensure it remains at the top of its class for performance, but we will never compromise on risk.

François Millet,
Head of Product Line Management,
ETFs & Indexing,
Lyxor ETF
How we do things. Differently

The status quo is not an option. We continually push for newer and better ways for you and your clients to access the markets. We have built exploration and challenge into our way of working, so you benefit from fresh thinking that delivers on your investment goals.

1. Identifying the need
   Assessing market conditions to pinpoint new markets and better ways of operating

2. Analysing the details
   Looking at every last detail to ensure funds do exactly what investors expect

3. Keeping risk to a minimum
   The risk management principles we deploy go above and beyond anything requested by our regulators

4. Delivering the best possible performance
   Taking a pragmatic approach to replication ensures a consistent and dependable outcome for investors

5. Creating highly liquid trading conditions
   A comprehensive network of Market Makers and Authorised Participants ensures our ETFs are some of the most liquid in Europe

6. Helping our clients succeed
   Delivering expert insight and a range of useful tools ensures that investors are kept up to speed throughout their journey

Further
We offer more than 220 ways to explore the markets. So whether you’re looking for core index exposure or for more tactical opportunities, you’ll find a product to match.
There can be no compromise with your investments. You have to know you’re dealing with experts who will help you go the distance. Our long track record and market-leading quality standards mean you can rely on the investments you make.

Quality, controlled

We’ve always believed in going further and pushing the boundaries for our clients, while keeping a careful eye on the quality of the funds we manage. That’s why in 2011 we introduced our ETF Quality Charter to make sure every one of our 220 funds meets exacting standards for tracking precision, product liquidity, risk management and transparency.

The standards we impose go way beyond any European guidelines – and further than many of our peers – setting out our benchmarks for performance, transparency, risk management and liquidity. That means you can buy any ETF across our huge range with absolute confidence, knowing that it will perform as you expect and trade efficiently, and that your money will be kept as safe as possible.

We go the extra mile because we know that only the highest quality funds deserve to win your trust and your money.

Raphaël Dieterlen, Chief Investment Officer for Passive Asset Management, Head of ETF and Index Investments

Our ETF Quality Charter

Performance ► Pragmatic replication
► Low tracking error / difference
► Tight spreads

Liquidity ► Trades at NAV across asset classes
► 44 authorised participants, 19 market makers

Risk Control ► 0% daily target counterparty risk
► Quality UCITS compliant collateral
► Strict caps to securities lending

Transparency ► Fund holdings and collateral
► Counterparty risk levels
► Updated daily on our website
There’s been lots of debate about which method of replication is best: physical or synthetic? Like all pioneers we know there can’t be any hard and fast rules. When you’re out in front, you have to make decisions based on the conditions you’re faced with.

Our focus on ETF efficiency means that we will always take a pragmatic approach to replication. No one form works best in every case, which is why we harness the best of both worlds to deliver performance.

For every single fund, we weigh up the circumstances to make well-informed decisions. It might be more painstaking than a one-size-fits-all solution. But the end result is you know every fund uses the method best for that index, helping you get the most out of every investment.

Going with the flow
Liquidity is the Holy Grail for any investor. If a fund has high liquidity, you know that you can trade with confidence, as you can buy and sell whenever you need to. You’ll probably see better prices too, as more liquidity attracts more market makers, which means more competition.

We’re as focused on liquidity as you are. We want to make sure every single one of our 220 funds meets our exacting standards for product liquidity, and we have a track record of delivering. Because we’ve been in the market since 2001, our funds are some of the most traded on the market.

Over the years, we have also built up one of Europe’s most extensive networks of Authorised Participants and Market Makers to ensure our funds are well supported in both the primary and secondary markets.

Consequently we really do offer you more liquidity than just about any other provider. In fact, 18% of all Europe’s reported ETF trading is with us – in other words, literally one in every six Euros traded in ETFs is in a Lyxor fund.

Good liquidity is hard earned. It takes time to build the infrastructure and reach a critical size where your funds become truly liquid.

Gregoire Blanc, Head of Capital Markets, Lyxor ETF

For liquidity in Europe with 18% of ETF trading

1 Source: Lyxor International Asset Management. Data observed between January 2016 and December 2016.

To be a pathfinder takes…

…Experience
To know the lie of the land, you have to have been through similar terrain. We have over 16 years of experience of ETF and know how to deliver for your clients.

…Attitude
We always put our clients first. From the indices we choose, to the way we replicate, manage and promote our funds, we look for what is best for you.

…Passion
We’re driven by innovation, constantly looking for new opportunities, or new ways to help investors face the challenges of the day. Our ETFS span every single asset class, geography and investment theme, so you can respond with alacrity in even the most challenging of markets.

Let’s take that next step
To journey with a pioneer, find out more about the world of opportunities that Lyxor can deliver. Explore our product range today.

www.lyxoretf.com
It is important for potential investors to evaluate the risks described below and in the fund prospectus on our website www.lyxoretf.com. Please read this document carefully and consult a financial professional or tax advisor to determine if it is appropriate for your investment goals and objectives.

### Capital at risk
ETFs are tracking instruments: their price profile is similar to a direct investment in the underlying index. Investors’ capital is fully at risk and investors may not get back the amount originally invested.

### Replication risk
The fund objectives might not be reached due to unexpected events on the underlying markets which will impact the index calculation and the efficient fund replication.

### Counterparty risk
Investors are exposed to risks resulting from the use of an OTC swap with Société Générale. In line with UCITS guidelines, the exposure to Société Générale cannot exceed 10% of the total fund assets. Physically replicated ETFs may have counterparty risk resulting from the use of a securities lending programme.

### Concentration risk
Smart Beta ETFs select stocks or bonds for their portfolio from the original benchmark index. Where selection rules exceed 10% of the total fund assets. Physically replicated ETFs may have concentration risk from the use of a securities lending programme.

### Leverage risk
Leveraged products amplify both gains and losses by a given leverage factor. Losses can therefore potentially be substantial.

### Underlying risk
The Underlying index of a Lyxor ETF may be complex and volatile. When investing in commodities, the Underlying index is calculated with reference to commodity futures contracts exposed to a liability risk linked to costs such as cost of carry and transportation. ETFs exposed to Emerging Markets carry a greater risk of potential loss than investment in Developed Markets as they are exposed to a wide range of unpredictable Emerging Market risks.

### Currency risk
ETFs may be exposed to currency risk if the ETF is denominated in a currency different to that of the Underlying index they are tracking. This means that exchange rate fluctuations could have a negative or positive effect on returns.

### Liquidity risk
Liquidity is provided by registered market-makers on the respective stock exchange where the ETF is listed, including Société Générale. On exchange, liquidity may be limited as a result of a suspension in the underlying market represented by the Underlying index tracked by the ETF; a failure in the systems of one of the relevant stock exchanges, or other market-maker systems; or an abnormal trading situation or event.

### Capital at risk
Investors should be aware that the Lyxor International Capital Markets Funds (the “Funds”) may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying units and may receive less than the current net asset value when selling them.

Updated composition of the product’s investment portfolio is available on lyxoretf.com. In addition, the indicative net asset value is published on the Reuters and Bloomberg pages of the product, and might also be mentioned on the websites of the stock exchanges where the product is listed. Prior to investing in the product, investors should seek independent financial, tax, accounting and legal advice. It is each investor’s responsibility to ascertain that it is authorised to subscribe, or invest into this product.

This document together with the prospectus and/or any generally any information or documents with respect to or in connection with the Fund does not constitute an offer for sale or solicitation of an offer for sale in any jurisdiction (i) in which such offer or solicitation is not authorized, (ii) in which the person making such offer or solicitation is not qualified to do so, or (iii) to any person to whom it is unlawful to make such offer or solicitation. In addition, the shares are not registered under the U.S. Securities Act of 1933 and may not be directly or indirectly offered or sold in the United States (including its territories or possessions) or to or for the benefit of a U.S Person (being a “United State Person” within the meaning of Regulation S under the Securities Act of 1933 of the United States, as amended, and/or any person not included in the definition of “Non-United States Person” within the meaning of Section 4.7(a)(1) of the rules of the U.S. Commodity Futures Trading Commission). No U.S. federal or state securities commission has reviewed or approved this document and more generally any documents with respect to or in connection with the Fund. Any representation to the contrary is a criminal offence.

This document is of a commercial nature and not of a regulatory nature. This document does not constitute an offer, or an invitation to make an offer, to purchase or sell the Fund, or any of its respective subsidiaries to purchase or sell the product referred to herein. These funds include a risk of capital loss. The redemption value of this fund may be less than the amount initially invested. The value of this fund can go down as well as up and the return upon investment will therefore necessarily be variable. In a worst case scenario, investors could sustain the loss of their entire investment. This document is confidential and may be neither communicated to any third party (with the exception of external advisors on the condition that they themselves respect this confidentiality undertaking) nor copied in whole or in part, without the prior written consent of Lyxor AM or Société Générale. The obtaining of the tax advantages or treatments defined in this document (as the case may be) depends on each investor’s particular tax status, the jurisdiction from which it invests as well as applicable laws. This tax treatment can be modified at any time. We recommend to investors who wish to obtain further information on their tax status that they seek advice from their tax advisor.

### Conflicts of interest
This research contains the views, opinions and recommendations of Lyxor International Asset Management (“LIAM”) Cross Asset and ETF research analysts and strategists. To the extent that this research contains trade ideas based on macro views of economic market conditions or relative value, it may differ from the fundamental Cross Asset and ETF Research opinions and recommendations contained in Cross Asset and ETF Research Sector or Company research reports and from the views and opinions of other departments of LIAM and its affiliates. Lyxor Cross Asset and ETF research analysts and/or strategists routinely consult with LIMM sales and portfolio management personnel regarding market information including, but not limited to, pricing, spread levels and trading activity of ETFs, tracking equity, fixed income and commodity indices. Trading desks may trade, or have traded, as principal on the bases of the research analyst(s) views and reports. Lyxor has mandatory research policies and procedures that are reasonably designed to (i) ensure that purported facts in research reports are based on reliable information and (ii) to prevent improper selective or tiered dissemination of research reports. In addition, research analysts receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, competitive factors and LIAM’s total revenues including revenues from management fees and investment advisory fees and distribution fees.