

# Alpha/Beta Allocator: Fixed income

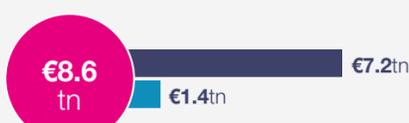
## Very little value for money

### The industry

AUM & flows

Active Passive

YTD TOTAL INDUSTRY AUM



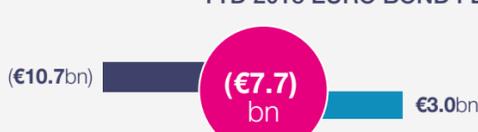
YTD 2018 TOTAL FLOWS



YTD 2018 FIXED INCOME FLOWS



YTD 2018 EURO BOND FLOWS



“Some modest improvements aside, conditions remain difficult”

Marlène Hassine Konqui,  
Head of ETF Research

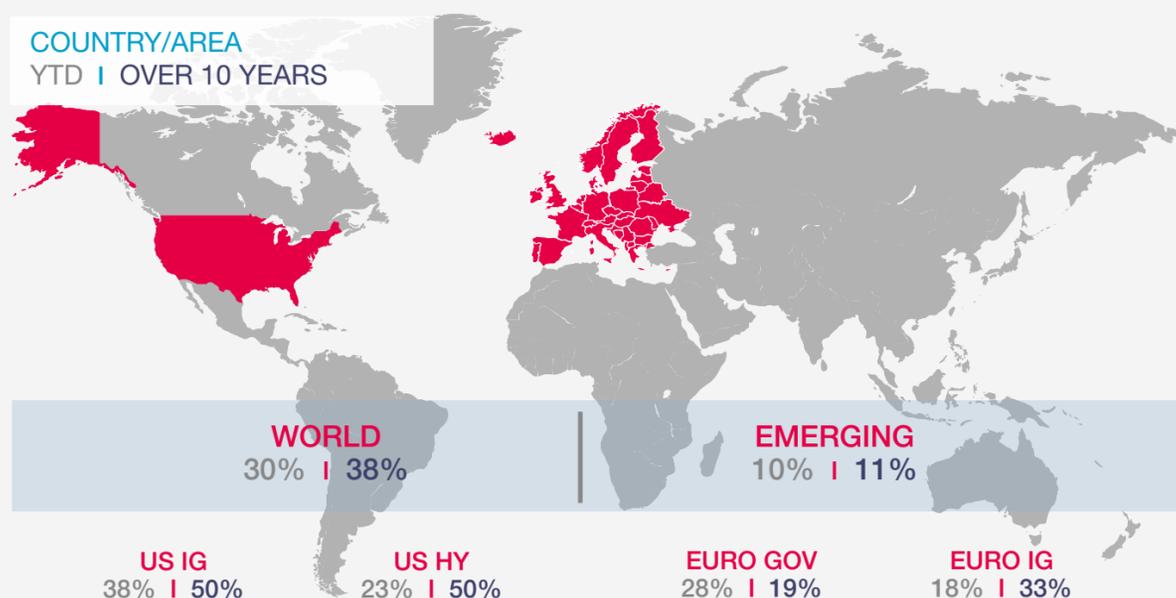
### The active managers

Performance vs. benchmarks

Despite some improvement in sovereign and credit conditions, alpha has still been hard to find...

Hit Miss

COUNTRY/AREA  
YTD | OVER 10 YEARS



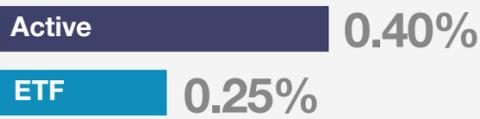
...and despite their impressive Q3 rebound, European bond managers continue to disappoint YTD.

Q3 2018 YTD 2017 5 year 10 year Hit: when YTD results are >50% or >10yr figure Miss: when YTD results are <33% or <10yr figure



### The costs

How active & passive compare

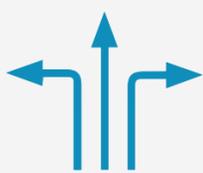


The typical active fixed income fund is c.2x more expensive than the typical ETF – why pay more for less?

### Why Lyxor for fixed income?

25+ routes

to European & US bond markets



Lowest cost

UK & US government bond exposures starting from

0.07%

Unique

One of a kind euro bond indices



Accomplished

Among the best-performing & most liquid US Treasuries ETFs on the market

Source: Lyxor International Asset Management. Europe-domiciled funds - data from Lyxor ETF, Morningstar, as of 30/09/2018 unless otherwise indicated. Statements refer to European ETF market. 0.07% TER correct as at 12/11/2018. Unique euro bond indices refers to Lyxor's FTSE MTS Highest Rated Macro Weighted European Bond ETFs. Past performance is no guide to future returns.

\*Source: Source: Morningstar & Bloomberg, data from 30/09/2008 to 28/09/2018. 50% and 33% represent the best and worst results after we divided the universe we cover into 3 sub-groups. Between those limits, "hits" and "misses" are set comparing the current period's result vs. the long-term averages. Past performance is no guide to future returns.

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## Knowing your risk

It is important for potential investors to evaluate the general risks described below and in the fund prospectus on our website [www.lyxoretf.com](http://www.lyxoretf.com)

### Capital at risk

ETFs are tracking instruments: Their risk 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

With synthetic ETFs, 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 if they use a securities lending programme.

### Concentration risk

Smart Beta ETFs select stocks or bonds for their portfolio from the original benchmark index. Where selection rules are extensive, it can lead to a more concentrated portfolio where risk is spread over fewer stocks than the original benchmark.

### Underlying risk

The Underlying index of a Lyxor ETF may be complex and volatile. For example, when investing in commodities, the Underlying index is calculated with reference to commodity futures contracts exposing the investor to a liquidity 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.

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