

Alpha/Beta Allocator: Fixed income

Very little value for money

The industry

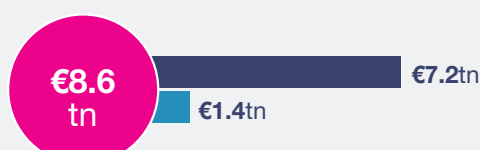
AUM & flows

Active Passive

“In fixed income, the difference between active and passive is stark”

Marlène Hassine Konqui, Head of ETF Research

TOTAL INDUSTRY AUM AS AT END H1 2018



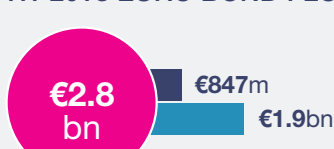
H1 2018 TOTAL FLOWS



H1 2018 FIXED INCOME FLOWS



H1 2018 EURO BOND FLOWS

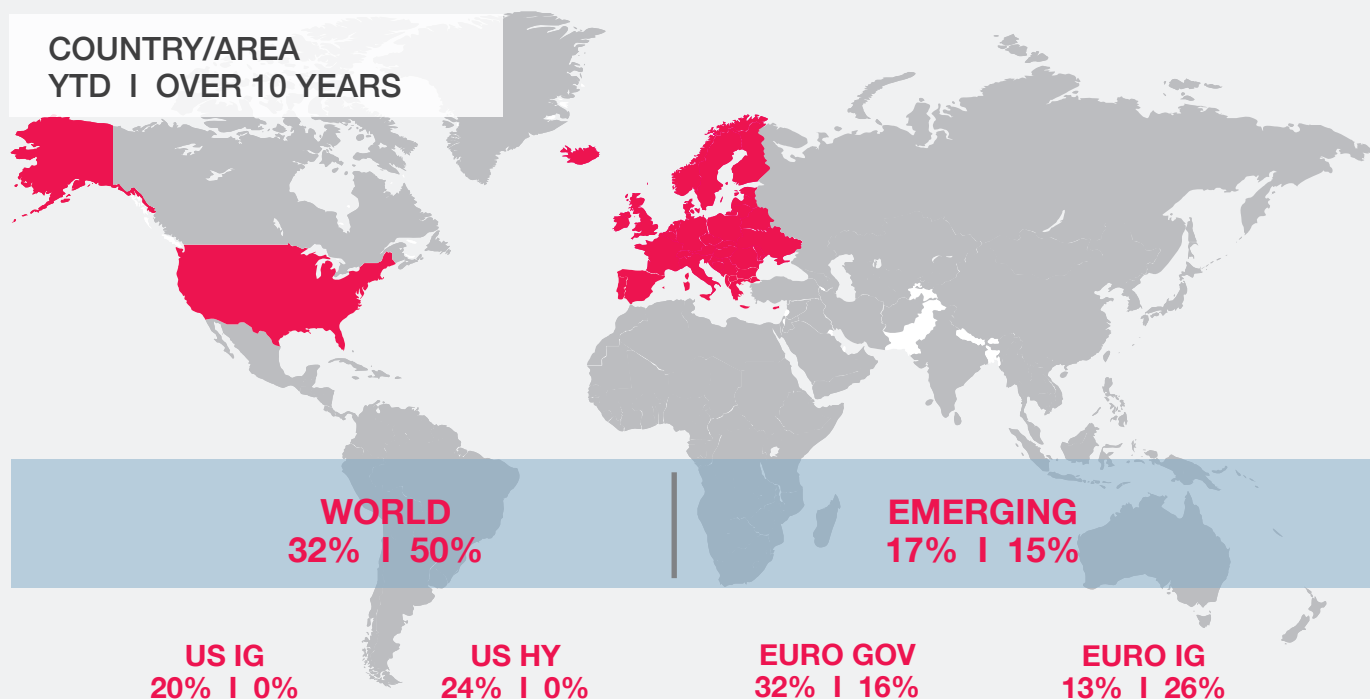


The active managers

Performance vs. benchmarks

Value for money was hard to find in fixed income in H1, even among flexible global bond fund managers...

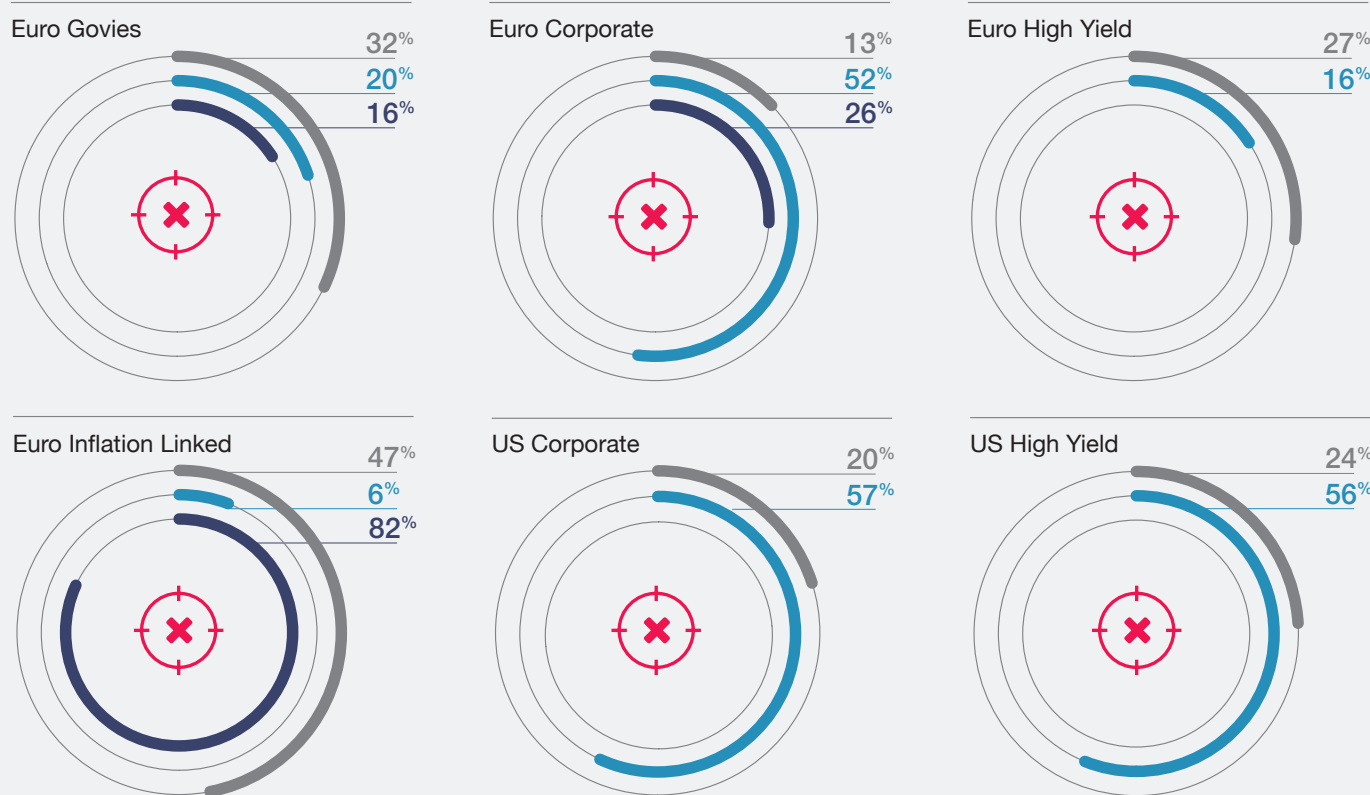
Hit Miss



..but investors in European and US bonds have more right than most to feel disappointed.*

YTD 2017 10 year average

✓ Hit: when YTD results are >50% or >10yr figure
✗ Miss: when YTD results are <33% or <10yr figure



The costs

How active & passive compare

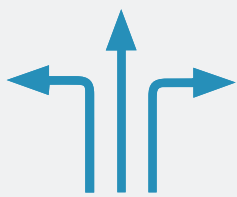
Active 0.51%

ETF 0.26%

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. Data as at 31/01/2018 unless otherwise indicated. Statements refer to European ETF market. 0.07% TER correct as at 16/08/2018. 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: Morningstar and Bloomberg data from 31/12/2007 to 29/06/2018. 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.

LYXOR



SOCIETE GENERALE GROUP

Conflicts of interest

This research contains the views, opinions and recommendations of Lyxor International Asset Management (“LIAM”) Cross Asset and ETF research analysts and/or 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 LIAM 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 basis 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.

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

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.

Important information

This communication is exclusively directed and available to Institutional Investors as defined by the 2004/39/EC Directive on markets in financial instruments acting for their own account and categorised as eligible counterparties or professional clients. This communication is not directed at retail clients.

This document is issued in the UK by Lyxor Asset Management UK LLP, which is authorized and regulated by the Financial Conduct Authority in the UK under Registration Number 435658.

Some of the funds described in this brochure are investment companies with Variable Capital (SICAV) incorporated under Luxembourg Law, listed on the official list of Undertakings for Collective Investment, authorised under Part I of the Luxembourg Law of 17th December 2010 (the “2010 Law”) on Undertakings for Collective Investment in accordance with provisions of the Directive 2009/65/EC (the “2009 Directive”) and subject to the supervision of the Commission de Surveillance du Secteur Financier (CSSF).

These funds are sub-funds of either Multi Units Luxembourg or Lyxor Index Fund and have been approved by the CSSF. Alternatively, some of the funds described in this document are sub-funds of Multi Units France a French SICAV incorporated under the French Law and approved by the French Autorité des marchés financiers. Each fund complies with the UCITS Directive (2009/65/CE), and has been approved by the French Autorité des marchés financiers. Société Générale and Lyxor AM recommend that investors read carefully the “risk factors” section of the product’s prospectus and Key Investor Information Document (KIID). The prospectus and the KIID are available in French on the website of the AMF (www.amf-france.org). The prospectus in English and the KIID in the relevant local language (for all the countries referred to, in this document as a country in which a public offer of the product is authorised) are available free of charge on lyxoretf.com or upon request to client-services-etf@lyxor.com

The products are the object of market-making contracts, the purpose of which is to ensure the liquidity of the products on NYSE Euronext Paris, Deutsche Boerse (Xetra) and the London Stock Exchange, assuming normal market conditions and normally functioning computer systems. Units of a specific UCITS ETF managed by an asset manager and purchased on the secondary market cannot usually be sold directly back to the asset manager itself. Investors must buy and sell units on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and 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 www.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 more 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) (iv) 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, from Société Générale, Lyxor Asset Management (together with its affiliates, Lyxor AM) or any of their 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 the 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 assistance from their tax advisor. The attention of the investor is drawn to the fact that the net asset value stated in this document (as the case may be) cannot be used as a basis for subscriptions and/or redemptions. The market information displayed in this document is based on data at a given moment and may change from time to time.

Authorizations: Lyxor International Asset Management (Lyxor AM) is a French management company authorized by the Autorité des marchés financiers and placed under the regulations of the UCITS (2009/65/EC) and AIFM (2011/61/EU) Directives. Société Générale is a French credit institution (bank) authorised by the Autorité de contrôle prudentiel et de résolution (the French Prudential Control Authority.

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.

Contact us

www.lyxoretf.com