

# Inside Thematics

## MSCI Digital Economy – H1 2021

The MSCI ACWI IMI Digital Economy ESG Filtered index aims to represent the performance of companies that are expected to derive significant revenues from the digital economy value chain. In this report we provide a comprehensive analysis of the factors driving the performance of this index compared to the Nasdaq 100 since the beginning of the year.

### Facts and overview

Economic and business transformation through the growth of connectivity and digitalisation, powered by the explosion of accessible data and the speed and reach of the (mobile) internet will likely remain profound, cutting across sectors, geographies, and markets. Companies have moved their business models to digital platforms using cloud computing and analytics-as-a-service, transactions via digital payments are becoming dominant, and people engage in billions of social media interactions and communications every day.

### Performance (base 100 =31/12/2020)



Source: Bloomberg, Lyxor International Asset Management. Data as at 30/06/2021. Past performance is not a reliable indicator of future performance.

### Lyxor ETF Research & Solutions



**Vincent Denoiseux (Head)**  
[vincent.denoiseux@lyxor.com](mailto:vincent.denoiseux@lyxor.com)



**Ida Troussieux**  
[ida.troussieux@lyxor.com](mailto:ida.troussieux@lyxor.com)



**Daniel Dornel, CFA**  
[daniel.dornel@lyxor.com](mailto:daniel.dornel@lyxor.com)



**Christopher Martin**  
[christopher.martin@lyxor.com](mailto:christopher.martin@lyxor.com)

### Our key takeaways

- ▶ The MSCI Digital Economy index recorded a positive performance of +9.08% in H1 2021 thanks to a strong run since the beginning of May following an almost flat Q1.
- ▶ The performance attribution analysis shows that all sectors contributed positively to this result, in particular Information Technology (61% of the holdings in average) with a performance of +7.7% within the index.
- ▶ At a stock level, we note the strong performance of the top 10 constituents over the same period such as Nvidia (+53%), Roku (+38%) and Cloudflare (+43%).

### Risk & return (H1 2021)

#### MSCI Digital Economy vs Nasdaq-100

(in USD, %)	MSCI Digital Economy	Nasdaq-100
Performance	9.08	13.22
Max Drawdown	-19.27	-10.89

Source: Bloomberg, Lyxor International Asset Management. This has been calculated gross of fees. Data as at 30/06/2021. For indices' full names please refer to index glossary on p.13. Past performance is not a reliable indicator of future performance.

### Summary

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In this report, MSCI ACWI IMI Digital Economy ESG Filtered Index is referred as to MSCI Digital Economy.

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## Overview

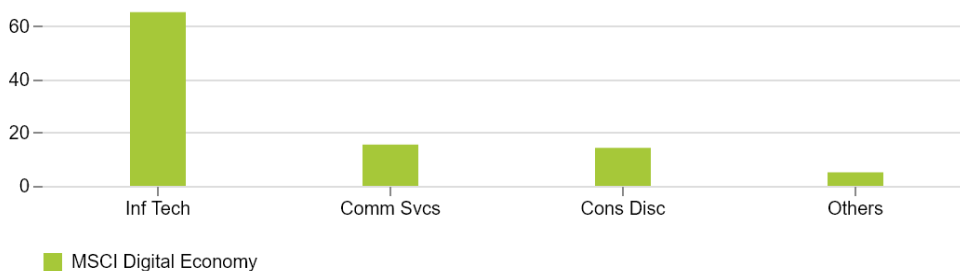
## Index characteristics

MSCI Digital Economy holds 146 securities (large, mid, and small caps) across 23 Developed Markets and 8 EM countries. The index aims to represent the performance of companies expected to derive significant revenue from areas like e-commerce, digital payments, cybersecurity, social media, cloud computing, robotics, and the sharing economy. It is filtered based on MSCI ESG Ratings, controversy scores and certain business activities. Annually, the expression of the high-level index objective and associated sub-themes are reviewed with the consultative input of a thematic industry expert retained by MSCI.

## Top 10 constituents (in USD, %)

Name	Weight	Cumulative weight	Industry	Country
CLOUDFLARE INC - CLASS A	2.21	2.21	Inf Tech	United States
NVIDIA CORP	2.06	4.27	Inf Tech	United States
LIGHTSPEED POS INC-SUB VOTE	1.98	6.24	Inf Tech	Canada
PINTEREST INC- CLASS A	1.83	8.07	Comm Svcs	United States
ROKU INC	1.64	9.71	Cons Disc	United States
TEMPLE WEBSTER GROUP LTD	1.49	11.20	Cons Disc	Australia
SHOPIFY INC - CLASS A	1.46	12.66	Inf Tech	Canada
SQUARE INC - A	1.43	14.09	Inf Tech	United States
ZSCALER INC	1.36	15.45	Inf Tech	United States
ADOBE INC	1.30	16.74	Inf Tech	United States

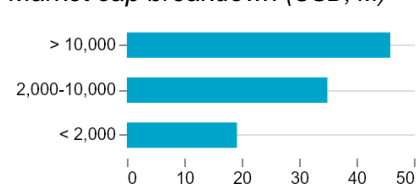
## GICS sector breakdown (weight in %)



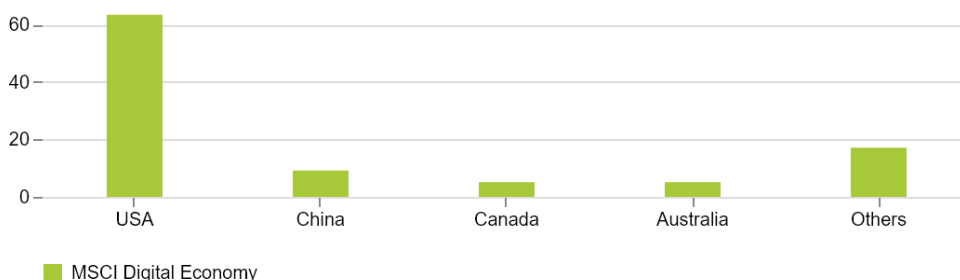
## Top members by sectors (in USD, %)

Information Technology		Communication Services	
CLOUDFLARE INC - CLASS A	2.21	PINTEREST INC- CLASS A	1.83
NVIDIA CORP	2.06	TWITTER INC	1.17
LIGHTSPEED POS INC-SUB VOTE	1.98	NCSOFT CORPORATION	1.06
SHOPIFY INC - CLASS A	1.46	BAIDU INC	1.00
SQUARE INC - A	1.43	ZYNGA INC - CL A	0.97

## Market cap breakdown (USD, M)



## Country breakdown (weight in %)



Source for all data unless otherwise indicated: Bloomberg, Lyxor International Asset Management. Data as at 30/06/2021. Past performance is not indicative of future returns.

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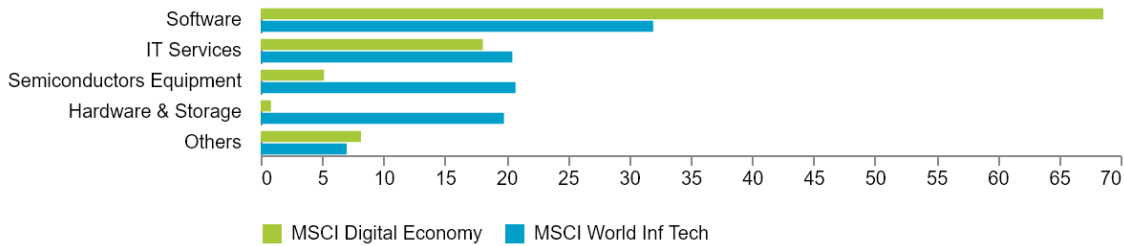
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## Sector focus: Information Technology breakdown

## MSCI Digital Economy vs MSCI World Inf Tech (in USD)

Information Technology	MSCI Digital Economy	MSCI World Inf Tech
Weight (%)	65.15	99.73
Sector performance Year-to-date (%)	7.68	13.06
# of stocks	82	187

## Sub-sector breakdown (weight in %)



## MSCI Digital Economy: Top 10 Information Technology constituents (in USD, %)

Name	MSCI Digital Economy weight	MSCI World Inf Tech weight	Performance Year-to-date
CLOUDFLARE INC - CLASS A	2.21	0.19	39.28
NVIDIA CORP	2.06	3.87	53.31
LIGHTSPEED POS INC-SUB	1.98	0.06	18.83
SHOPIFY INC - CLASS A	1.46	1.28	29.79
SQUARE INC - A	1.43	0.74	12.02
ZSCALER INC	1.36	0.14	8.19
ADOBE INC	1.30	2.19	17.10
SERVICENOW INC	1.29	0.84	-0.16
FORTNOX AB	1.24	0.00	-7.60
WISETECH GLOBAL LTD	1.24	0.03	1.28

Source for all data unless otherwise indicated: Bloomberg, Lyxor International Asset Management. Data as at 30/06/2021. Past performance is not indicative of future returns.

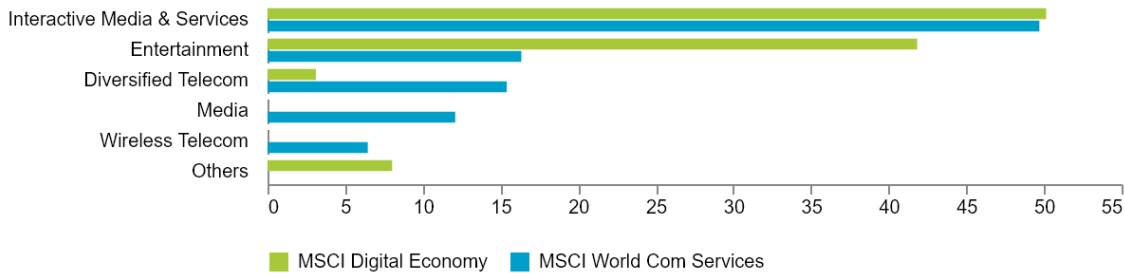
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## Sector focus: Communication Services breakdown

## MSCI Digital Economy vs MSCI World Com Services (in USD)

Communication Services	MSCI Digital Economy	MSCI World Com Services
Weight (%)	15.50	98.70
Sector performance Year-to-date (%)	8.67	16.67
# of stocks	28	98

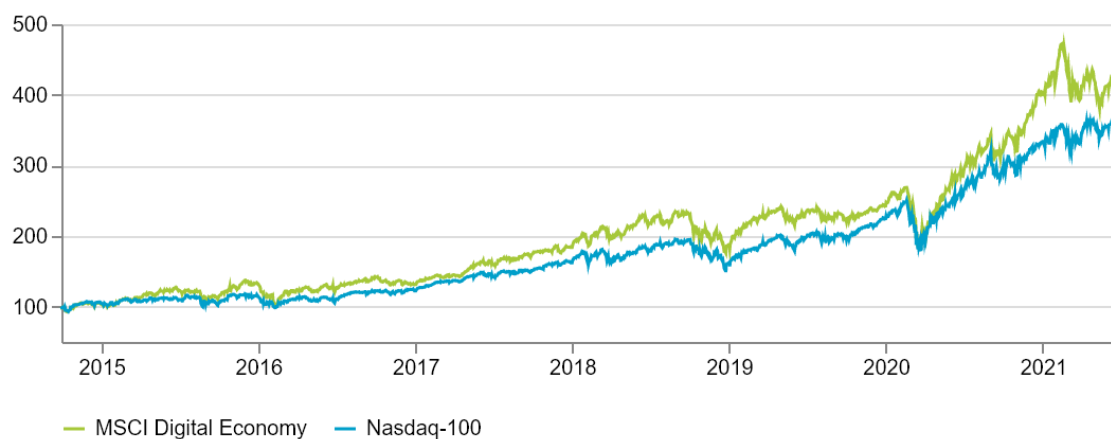
## Sub-sector breakdown (weight in %)



## MSCI Digital Economy: Top 10 Communication Services constituents (in USD, %)

Name	MSCI Digital Economy weight	MSCI World Com Services weight	Performance Year-to-date
PINTEREST INC- CLASS A	1.83	0.80	19.80
TWITTER INC	1.17	1.04	27.07
NCISOFT CORPORATION	1.06	0.00	-19.48
BAIDU INC	1.00	0.00	-5.71
ZYNGA INC - CL A	0.97	0.00	7.70
ACTIVISION BLIZZARD INC	0.88	1.40	3.29
REA GROUP LTD	0.85	0.13	11.12
NASPERS LTD-N SHS	0.76	0.00	1.76
NETEASE INC	0.76	0.00	20.71
ZOOMINFO TECHNOLOGIES INC	0.75	0.00	8.17

Source for all data unless otherwise indicated: Bloomberg, Lyxor International Asset Management. Data as at 30/06/2021. Past performance is not indicative of future returns.

**MARKETING DOCUMENT - FOR PROFESSIONAL AND QUALIFIED INVESTORS ONLY****Historical performance****Performance since launch (30/09/2014 to 30/06/2021)***MSCI Digital Economy vs Nasdaq-100 (base 100 = 30/09/2014)***Historical risks & net total returns****Total Return**

(in USD, %)	MSCI Digital Economy	Nasdaq-100
Month to Date	6.61	6.38
Quarter to Date	9.25	11.32
Year to Date	9.08	13.22
1 Year	52.34	44.03
3 Year (annualised)	26.40	28.18
5 Year (annualised)	28.26	27.82
Since launch (30/09/2014, annualised)	24.54	21.76

**Volatility**

(in USD, %)	MSCI Digital Economy	Nasdaq-100
1 Year	20.97	22.43
3 Year (annualised)	23.67	26.09
5 Year (annualised)	20.13	21.95
Since launch (30/09/2014, annualised)	19.78	20.96

**Max Drawdown**

(in USD, %)	MSCI Digital Economy	Nasdaq-100
Year to Date	-19.27	-10.89
1 Year	-19.27	-12.76
3 Year	-32.13	-27.99
5 Year	-32.13	-27.99
Since launch (30/09/2014)	-32.13	-27.99

Source for all data unless otherwise indicated: Bloomberg, Lyxor International Asset Management. Performance measured gross of fees. Data as at 30/06/2021.

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## Index rebalancing

## Entries as at 28/05/2021 close

Name	Status	Country	Weight (%)	Name	Status	Country	Weight (%)
TEMPLE WEBSTER GROUP	Addition	Australia	1.48	LENDINGCLUB CORP	Addition	USA	0.42
NCSOFT CORPORATION	Addition	Korea	1.19	LANDS' END INC	Addition	USA	0.40
DOCEBO INC	Addition	Canada	1.11	FARO TECHNOLOGIES INC	Addition	USA	0.39
BAIDU INC	Addition	China	1.02	BOOKING HOLDINGS INC	Addition	USA	0.35
REDBUBBLE LTD	Addition	Australia	0.89	IGG INC	Addition	Singapore	0.29
XERO LTD	Addition	New Zealand	0.80	PEARL ABYSS CORP	Addition	Korea	0.21
RAPID7 INC	Addition	USA	0.79	MING YUAN CLOUD GROUP HOLDIN	Addition	China	0.20
NETFLIX INC	Addition	USA	0.73	BENGO4.COM INC	Addition	Japan	0.14
BLACKLINE INC	Addition	USA	0.67	HI SUN TECHNOLOGY CHINA LTD	Addition	Hong Kong	0.14
VASCO DATA SECURITY INTL	Addition	USA	0.54	JACKPOTJOY PLC	Addition	UK	0.14
PHREESIA INC	Addition	USA	0.54	COLOPL INC	Addition	Japan	0.13
WORLD WRESTLING ENTERTAIN-A	Addition	USA	0.50	WEIMOB INC	Addition	China	0.08
ABSOLUTE SOFTWARE CORP	Addition	Canada	0.49	SOURCENEXT CORP	Addition	Japan	0.08
EVENTBRITE INC-CLASS A	Addition	USA	0.45				

## Exits as at 28/05/2021 close

Name	Status	Country	Weight (%)
TONGCHENG-ELONG HOLDINGS LTD	Deletion	China	1.47
ZIP CO LTD	Deletion	Australia	0.97
EGAIN CORP	Deletion	USA	0.97
MERCADOLIBRE INC	Deletion	Argentina	0.73
EVERQUOTE INC - CLASS A	Deletion	USA	0.69
PROS HOLDINGS INC	Deletion	USA	0.67
VARONIS SYSTEMS INC	Deletion	USA	0.47
AO WORLD PLC	Deletion	UK	0.43
CAFE24 CORP	Deletion	Korea	0.16
FREEE KK	Deletion	Japan	0.11

## Top 10 before and after rebalancing

Before			After			
	Name	Weight	Country	Name	Weight	Country
1	BIGCOMMERCE HOLDINGS-SER 1	2.08	USA	CLOUDFLARE INC - CLASS A	1.82	USA
2	NVIDIA CORP	1.92	USA	LIGHTSPEED POS INC-SUB VOTE	1.81	Canada
3	LIGHTSPEED POS INC-SUB VOTE	1.72	Canada	NVIDIA CORP	1.77	USA
4	KINGSOFT CLOUD HOLDINGS-ADR	1.51	China	PINTEREST INC- CLASSA	1.61	USA
5	MIMECAST LTD	1.48	USA	TEMPLE WEBSTER GROUP LTD	1.48	Australia
6	TONGCHENG-ELONG HOLDINGS	1.47	China	SQUARE INC - A	1.39	USA
7	WORLDLINE SA	1.42	France	FORTNOX AB	1.35	Sweden
8	ZYNGA INC - CL A	1.37	USA	SHOPIFY INC - CLASS A	1.31	Canada
9	WISETECH GLOBAL LTD	1.36	Australia	ROKU INC	1.31	USA
10	ADOBE INC	1.34	USA	ZSCALER INC	1.30	USA

Source: Lyxor International Asset Management. Data as at 30/06/2021.

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## Performance analysis

### YTD performance overview

#### Market Commentary

- ▶ The MSCI Digital Economy index recorded a positive performance of +9.08% in H1 2021 thanks to a strong run since the beginning of May following an almost flat Q1.
- ▶ The performance attribution analysis shows that all sectors contributed positively to this result, in particular Information Technology (61% of the holdings in average) with a performance of +7.7% within the index.
- ▶ At a stock level, we note the strong performance of the top 10 constituents over the same period such as Nvidia (+53%), Roku (+38%) and Cloudflare (+43%).

#### Performance

MSCI Digital Economy vs Nasdaq-100 (base 100 =31/12/2020)



#### Index performance and risk characteristics

YTD, % in USD	MSCI Digital Economy	Nasdaq-100
Performance	9.08	13.22
Max Drawdown	-19.27	-10.89

#### Fundamentals as at 30/06/2021

(in USD)	MSCI Digital Economy	Nasdaq-100
# stocks	146	102
Dividend Yield	0.86	1.19
P/B	8.05	8.89
P/E (trailing)	135.71	38.19
P/E (trailing, positive earnings)	48.87	36.97
12M fwd P/E	52.73	27.51
12M fwd P/E (positive earnings)	41.38	27.22
ROE	8.34	24.61

#### Key ESG and climate statistics

ESG Data	MSCI Digital Economy	Nasdaq-100
MSCI ESG Score (Industry Adjusted)	5.9	5.9
Carbon Footprint		
Carbon Emissions tons CO2e/\$M invested	3.3	10.5
Carbon Intensity tons CO2e/\$M sales	23.2	67.9
Weighted Average Carbon Intensity tons CO2e/\$M sales	15.9	52.1

Source for all data unless otherwise indicated: Bloomberg, Lyxor International Asset Management. Performance measured gross of fees. Data as at 30/06/2021. Past performance is not indicative of future returns.

The ESG and Climate metrics are computed using a proprietary methodology developed within Lyxor International Asset Management (SRI team) based on ESG single stock data from MSCI. ESG data as at 30/06/2021.

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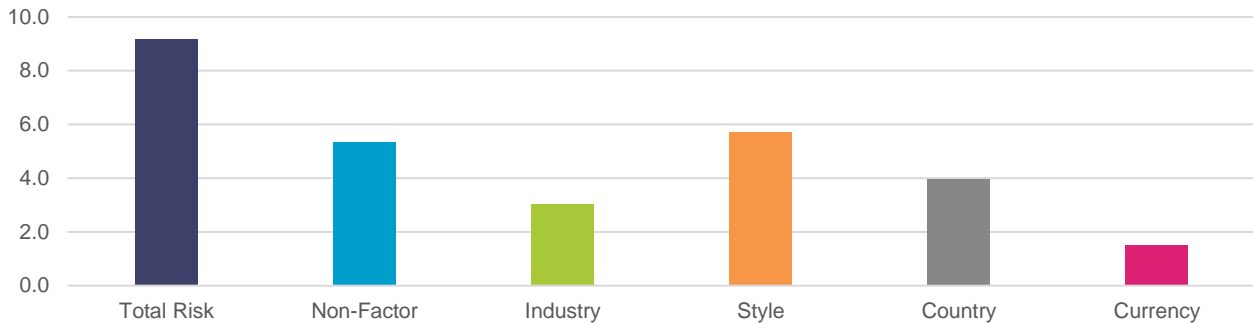
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## Active risk analysis

### Active risk decomposition<sup>3</sup> vs Nasdaq-100

#### *The importance of Style and Non-Factor*

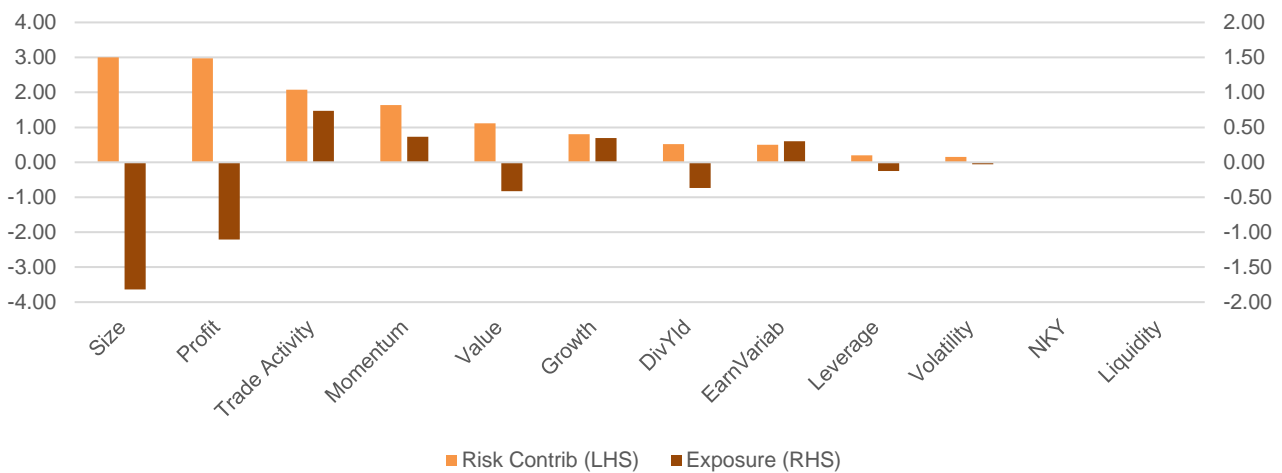
*MSCI Digital Economy vs Nasdaq-100, in %*



### Active style risk decomposition vs Nasdaq-100

#### *Size and Profit factors, a high contribution on active risk*

*MSCI Digital Economy vs Nasdaq-100, in %*



Source: Bloomberg, Lyxor International Asset Management as of 30/06/2021.

Past performance is not a reliable indicator of future performance

<sup>3</sup> Ex-ante Tracking error, more details available in the Glossary p.13 (“Active Risk decomposition analysis”)



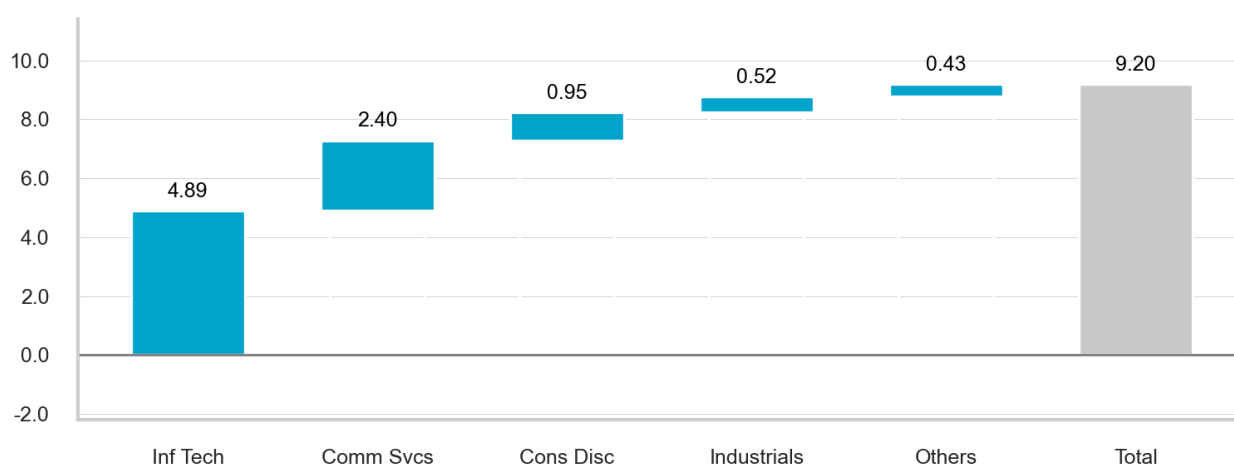
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## Absolute performance attribution\* (Year-to-date)

## Performance attribution breakdown (in USD, %)

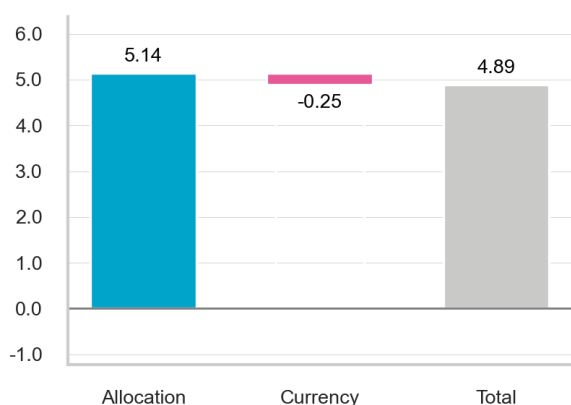
	YTD perf	Avg wgt	Allocation	Currency	Total Attribution	Residual
MSCI Digital Economy	9.08	100.00	9.85	-0.66	9.20	0.12
Inf Tech	7.68	61.45	5.14	-0.25	4.89	
Comm Svcs	8.67	19.05	2.65	-0.25	2.40	
Cons Disc	9.91	12.03	1.02	-0.07	0.95	
Industrials	13.80	3.77	0.60	-0.08	0.52	
Health Care	5.43	2.62	0.26	-0.02	0.23	
Financials	27.22	1.08	0.18	0.02	0.20	

## Performance attribution by GICS sectors (in USD, %)

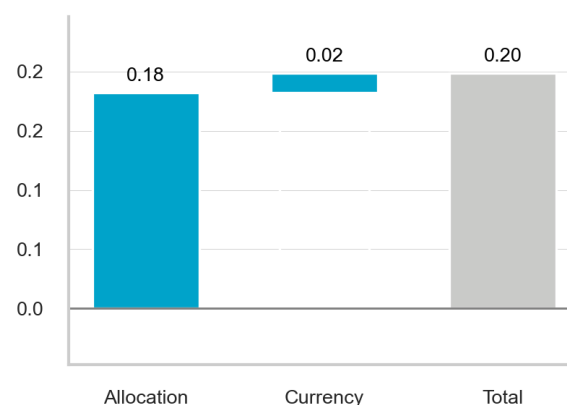


## Performance attribution breakdown (in USD, %)

## Top GICS sector: Information Technology



## Worst GICS sector: Financials



Source for all data unless otherwise indicated: Bloomberg, Lyxor International Asset Management. Data as at 30/06/2021.

Past performance is not indicative of future returns.

The allocation effect, positive or negative, can be obtained by underweighting or overweighting an underperforming or outperforming industry.

\*Please refer to the glossary section in page 13.

**MARKETING DOCUMENT - FOR PROFESSIONAL AND QUALIFIED INVESTORS ONLY****Absolute stock selection analysis\* (Year-to-date)****Performance attribution breakdown (in USD, %)**

Attribution decomposition	
Stock selection: positive contributors	17.23
Stock selection: negative contributors	-7.38
<b>Total selection effect</b>	<b>9.85</b>

**Stock selection: positive contributors (in USD, %)**

Name	Stock selection	Average Weight	Stock Performance	GICS Sector
3D SYSTEMS CORP	1.21	0.63	281.39	Inf Tech
NVIDIA CORP	0.79	1.51	53.28	Inf Tech
MAGNITE INC	0.77	1.20	10.19	Comm Svcs
CLOUDFLARE INC - CLASS A	0.66	0.92	43.09	Inf Tech
ROKU INC	0.56	1.31	38.32	Comm Svcs
UPWORK INC	0.40	0.74	68.86	Industrials
SPROUT SOCIAL INC - CLASS A	0.36	0.47	96.92	Inf Tech
TONGCHENG-ELONG HOLDINGS LTD	0.34	0.82	40.55	Cons Disc
MANHATTAN ASSOCIATES INC	0.33	1.03	37.71	Inf Tech
HUBSPOT INC	0.33	0.99	46.99	Inf Tech
OTHER POSITIVE CONTRIBUTORS	11.47	55.50		
<b>TOTAL</b>	<b>17.23</b>	<b>65.12</b>		

**Stock selection: negative contributors (in USD, %)**

Name	Stock selection	Average Weight	Stock Performance	GICS Sector
KINGSOFT CLOUD HOLDINGS-ADR	-0.93	1.01	-42.37	Inf Tech
360 SECURITY TECHNOLOGY IN-A	-0.32	1.07	-21.43	Inf Tech
BLUE PRISM GROUP PLC	-0.31	0.40	-52.38	Inf Tech
G-BITS NETWORK TECHNOLOGY-A	-0.31	0.27	-26.16	Comm Svcs
WUHU SANQI INTERACTIVE ENT-A	-0.29	1.12	-22.25	Comm Svcs
ALTERYX INC - CLASS A	-0.24	0.81	-29.37	Inf Tech
COUPA SOFTWARE INC	-0.24	0.83	-22.66	Inf Tech
PROTO LABS INC	-0.24	0.56	-40.16	Industrials
HENGTEN NETWORKS GROUP LTD	-0.22	0.25	-52.28	Cons Disc
EVERQUOTE INC - CLASS A	-0.21	0.61	-16.17	Comm Svcs
OTHER NEGATIVE CONTRIBUTORS	-4.07	27.38		
<b>TOTAL</b>	<b>-7.38</b>	<b>34.31</b>		

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\* Please refer to the glossary section in page 13.

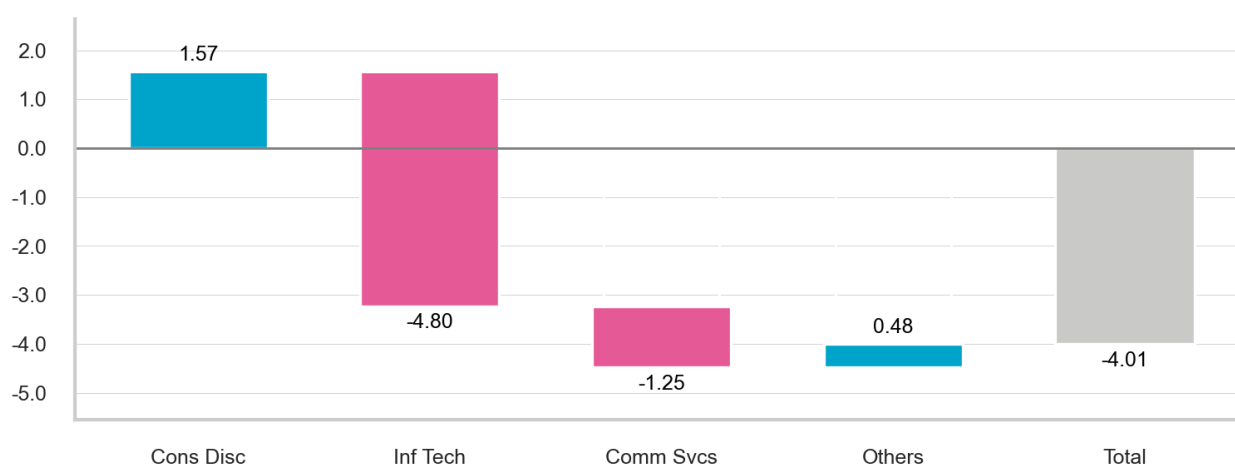
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## Performance attribution vs Nasdaq-100\* (Year-to-date)

## Performance attribution breakdown (in USD, %)

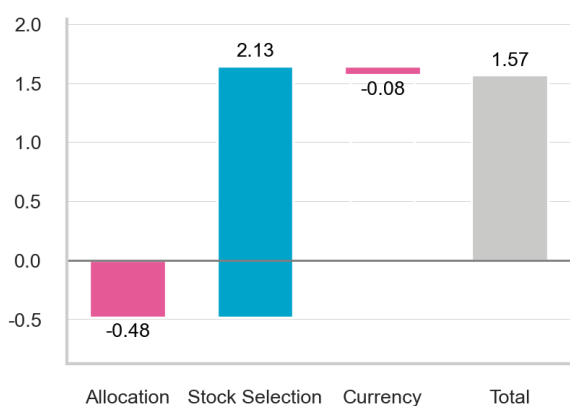
	YTD perf	Avg wgt	Allocation	Selection	Currency	Total Attribution	Residual
<b>MSCI Digital Economy</b>	<b>9.08</b>	<b>100.00</b>	<b>0.76</b>	<b>-4.06</b>	<b>-0.71</b>	<b>-4.01</b>	<b>0.14</b>
Cons Disc	9.91	12.03	-0.48	2.13	-0.08	1.57	
Cons Stpl	N/A	0.00	0.33	0.00	0.00	0.33	
Industrials	13.80	3.77	0.09	0.27	-0.08	0.27	
Financials	27.22	1.08	0.13	0.00	0.02	0.15	
Utilities	N/A	0.00	0.09	0.00	0.00	0.09	
Health Care	5.43	2.62	0.41	-0.75	-0.02	-0.36	
Comm Svcs	8.67	19.05	1.20	-2.18	-0.27	-1.25	
Inf Tech	7.68	61.45	-1.02	-3.51	-0.27	-4.80	

## Performance attribution by GICS sectors (in USD, %)

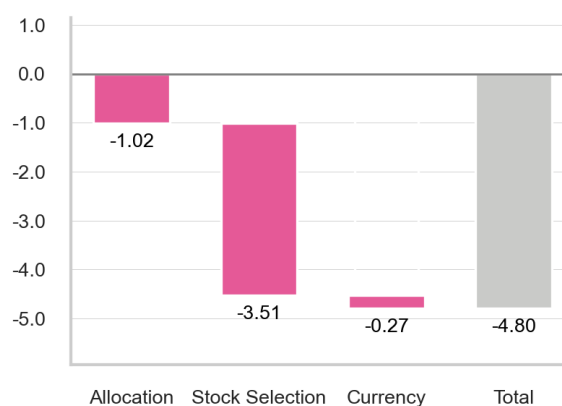


## Performance attribution breakdown (in USD, %)

## Top GICS sector: Consumer Discretionary



## Worst GICS sector: Information Technology



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The allocation effect, positive or negative, can be obtained by underweighting or overweighting an underperforming or outperforming industry.

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## Stock selection analysis vs Nasdaq-100\* (Year-to-date)

## Performance attribution breakdown (in USD, %)

Attribution decomposition	
Stock selection: positive contributors	14.19
Stock selection: negative contributors	-18.25
<b>Total selection effect</b>	<b>-4.06</b>
Allocation	0.76
Currency	-0.71
<b>Total Attribution</b>	<b>-4.01</b>

## Stock selection: positive contributors (in USD, %)

Name	Stock selection	Average Weight	Average Weight Difference	Stock Performance	GICS Sector
APPLE INC	1.41	0.00	-11.34	3.45	Inf Tech
3D SYSTEMS CORP	1.00	0.63	0.63	281.39	Inf Tech
TONGCHENG-ELONG HOLDINGS LTD	0.62	0.82	0.82	40.55	Cons Disc
ZOZO INC	0.48	0.38	0.38	38.69	Cons Disc
NETFLIX INC	0.44	0.29	-1.54	4.47	Comm Svcs
PHREESIA INC	0.35	0.29	0.29	40.62	Health Care
CLOUDFLARE INC - CLASS A	0.34	0.92	0.92	43.09	Inf Tech
LANDS' END INC	0.34	0.09	0.09	64.53	Cons Disc
MAGNITE INC	0.29	1.20	1.20	10.19	Comm Svcs
QUALCOMM INC	0.29	0.00	-1.26	-5.52	Inf Tech
OTHER POSITIVE CONTRIBUTORS	8.63	33.15	4.99		
<b>TOTAL</b>	<b>14.19</b>	<b>37.77</b>	<b>-4.82</b>		

## Stock selection: negative contributors (in USD, %)

Name	Stock selection	Average Weight	Average Weight Difference	Stock Performance	GICS Sector
SIMULATIONS PLUS INC	-0.91	0.68	0.68	-23.56	Health Care
KINGSOFT CLOUD HOLDINGS-ADR	-0.84	1.01	1.01	-42.37	Inf Tech
ALPHABET INC-CL C	-0.64	0.00	-3.71	43.06	Comm Svcs
NVIDIA CORP	-0.56	1.51	-1.37	53.28	Inf Tech
WUHU SANQI INTERACTIVE ENT-A	-0.56	1.12	1.12	-22.25	Comm Svcs
MICROSOFT CORP	-0.54	1.10	-8.42	22.19	Inf Tech
EVERQUOTE INC - CLASS A	-0.50	0.61	0.61	-16.17	Comm Svcs
ALPHABET INC-CL A	-0.48	0.00	-3.36	39.32	Comm Svcs
CYBERDYNE INC	-0.44	0.28	0.28	-36.97	Health Care
360 SECURITY TECHNOLOGY IN-A	-0.39	1.07	1.07	-21.43	Inf Tech
OTHER NEGATIVE CONTRIBUTORS	-12.38	53.76	21.74		
<b>TOTAL</b>	<b>-18.25</b>	<b>61.15</b>	<b>9.66</b>		

Source for all data unless otherwise indicated: Bloomberg, Lyxor International Asset Management. Data as at 30/06/2021.

Past performance is not indicative of future returns.

\* Please refer to the glossary section in page 13.

**MARKETING DOCUMENT - FOR PROFESSIONAL AND QUALIFIED INVESTORS ONLY****Index definition**

Index exposure	Index name	Bloomberg ticker
MSCI ACWI IMI Digital Economy ESG Filtered Index	MSCI Digital Economy holds 146 securities (large, mid and small caps) across 23 Developed Markets and 8 EM countries. The index aims to represent the performance of companies expected to derive significant revenue from areas like e-commerce, digital payments, cybersecurity, social media, cloud computing, robotics, and the sharing economy. It is filtered based on MSCI ESG Ratings, controversy scores and certain business activities. Annually, the expression of the high-level index objective and associated sub-themes are reviewed with the consultative input of a thematic industry expert retained by MSCI.	MXACDGTL Index

**Glossary****Active Risk decomposition analysis**

Analysis of the index ex-ante risk (i.e. predicted tracking error). Tracking errors are annualised volatilities of active returns, expressed in percentages. The analysis can give two sets of information:

- It can decompose this tracking error into isolated tracking errors (Risk contributions) attributed to different risk model factors and Non-factor (i.e. stock picking). The factors used are driven by the risk model of choice. Generally speaking, for equities these include the market, country, industry and style factors. For fixed income, these include curve and spread factors. For global portfolios, it also includes currency factors.
- It can also give you the active exposure of the index to a specific factor.

This analysis can be drilled down into sub factors (see Style sub factors definition below).

**Total return performance attribution**

Allocation effect: active return that can be attributed to asset allocation bets (e.g. under or overweighting a specific sector). It is the difference between the portfolio and benchmark sector weights times the difference between the benchmark and the benchmark total return.

Currency effect: active return that can be attributed to currency allocation bets (e.g. under or overweighting a currency).

Selection effect: active return that can be attributed to security selection within a specific sector (e.g. choosing different securities within a grouping from those in the benchmark). It is the difference between the portfolio and benchmark sectorial returns times the benchmark sector weights.

Interaction effect: active return that can be attributed to simultaneously making both an allocation and security selection bet. In this analysis, this term is added to allocation effect for simplicity purposes.

Residual: the unexplained segment of the relative excess return between the index and the benchmark (e.g. not explained by the attribution performance).

Total attribution: total active return. It is equal to the sum of the allocation, selection, intersection and currency effects.

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## Bloomberg Style sub factors definitions

Style factor	Definition	Calculation
<b>Momentum</b>	Separates stocks that have outperformed over the past year and those that have underperformed.	Cumulative return over one year (averaged), skipping the most recent two weeks to mitigate the price reversal effect.
<b>Value</b>	Composite metric that differentiates "rich" and "cheap" stocks. Bloomberg combines fundamental and analyst consensus data to calculate this factor.	Combination of the following descriptors: <ul style="list-style-type: none"> <li>• Book to Price (13%)</li> <li>• Earnings to Price (19%)</li> <li>• Cash Flow to Price (18%)</li> <li>• Sales / EV (10%)</li> <li>• EBITDA / EV (21%)</li> <li>• Forecast Earnings to Price (19%)</li> </ul>
<b>Dividend Yield (DivYld)</b>	Another dimension of value, but distinct enough to be a standalone factor.	Most recently announced net dividend (annualised) divided by the current market price.
<b>Size</b>	Composite metric distinguishing between large and small stocks.	Combination of the following descriptors: <ul style="list-style-type: none"> <li>• log(Market Capitalisation) (31%)</li> <li>• log(Sales) (34%)</li> <li>• log(Total Assets) (35%)</li> </ul>
<b>Trading Activity</b>	Turnover based measure. Bloomberg focuses on turnover which is trading volume normalised by shares outstanding. This indirectly controls for the Size effect.	The exponential weighted average (EWMA) of the ratio of shares traded to shares outstanding (where the average is over 2 years - 504 trading days).
<b>Earnings Variability (EarnVariab)</b>	Gauges how consistent earnings, cash flows, and sales have been in recent years.	Combination of the following descriptors: <ul style="list-style-type: none"> <li>• Earnings Volatility to Total Assets (34%)</li> <li>• Cash Flow Volatility to Total Assets (35%)</li> <li>• Sales Volatility to Total Assets (31%)</li> </ul>
<b>Profitability (Profit)</b>	Studies firms' profit margins to differentiate between money makers and money losers.	Combination of the following descriptors: <ul style="list-style-type: none"> <li>• Return on Equity (26%)</li> <li>• Return on Assets (28%)</li> <li>• Return on Capital Employed (28%)</li> <li>• EBITDA Margin (18%)</li> </ul>
<b>Volatility</b>	Differentiates more volatile stocks and less volatile ones by quantifying "volatile" from several different angles.	Combination of the following descriptors: <ul style="list-style-type: none"> <li>• Rolling Volatility = Return volatility over latest 252 trading days (29%)</li> <li>• Rolling CAPM Beta = Regression coefficient from the rolling window regression of stock returns on local index returns (18%)</li> <li>• Historical Sigma = Residual volatility from the rolling window regression of stock returns on local index returns (28%)</li> <li>• Cumulative Range = The ratio of maximum and minimum stock price over the previous year (25%)</li> </ul>
<b>Growth</b>	Aims to capture the difference between high and low growers by using historical fundamental and forward-looking analyst data.	Combination of the following descriptors: <ul style="list-style-type: none"> <li>• Total Asset Growth (23%)</li> <li>• Sales Growth (25%)</li> <li>• Earnings Growth (18%)</li> <li>• Forecast of Earnings Growth (14%)</li> <li>• Forecast of Sales Growth (20%)</li> </ul>
<b>Leverage</b>	Composite metric to gauge a firm's level of leverage.	Combination of the following descriptors: <ul style="list-style-type: none"> <li>• Book Leverage (34%)</li> <li>• Market Leverage (33%)</li> <li>• Debt to Total Assets (33%)</li> </ul>

**MARKETING DOCUMENT - FOR PROFESSIONAL AND QUALIFIED INVESTORS ONLY****Knowing your risk**

It is important for potential investors to evaluate the 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. In-line with UCITS guidelines, the exposure to a swap counterparty cannot exceed 10% of the total fund assets. Physically replicated ETFs may have counterparty risk if they use a securities lending program.

**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 Societe Generale. 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.

**Concentration risk**

Some ETFs, e.g. thematic and 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.

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