

Alpha/Beta Allocator: Fixed income

Very little value for money

The industry

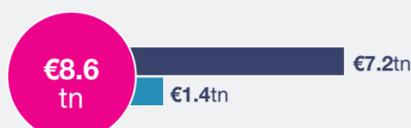
AUM & flows

Active Passive

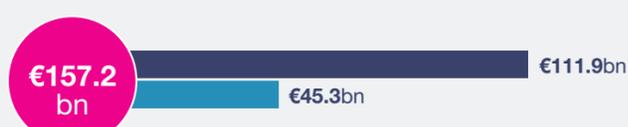
“In fixed income, the difference between active and passive is stark”

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

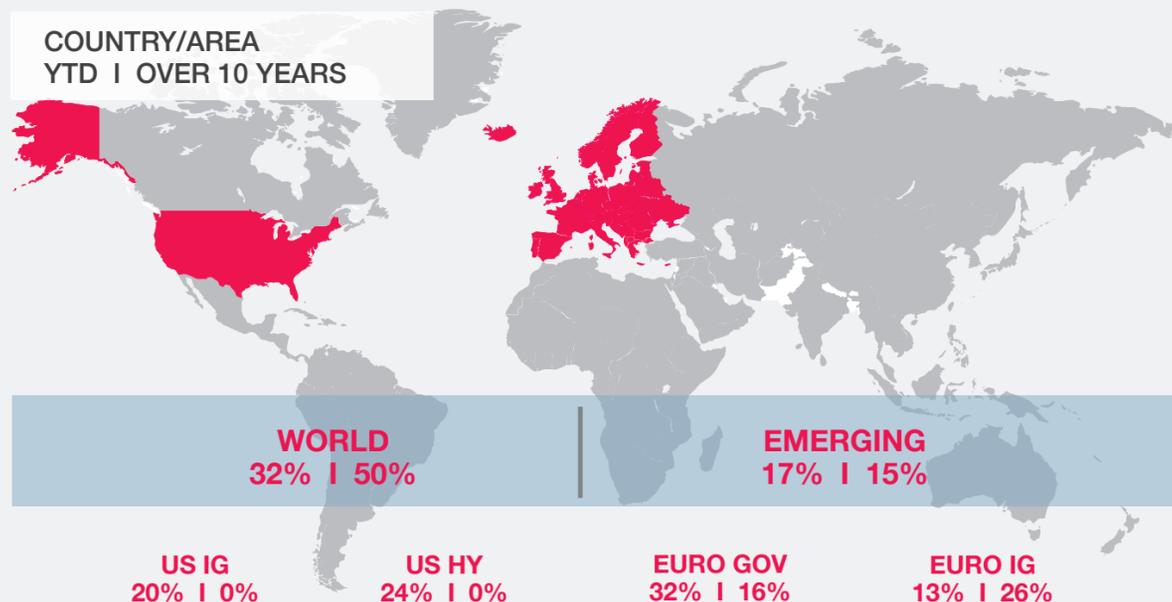


The active managers

Performance vs. benchmarks

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

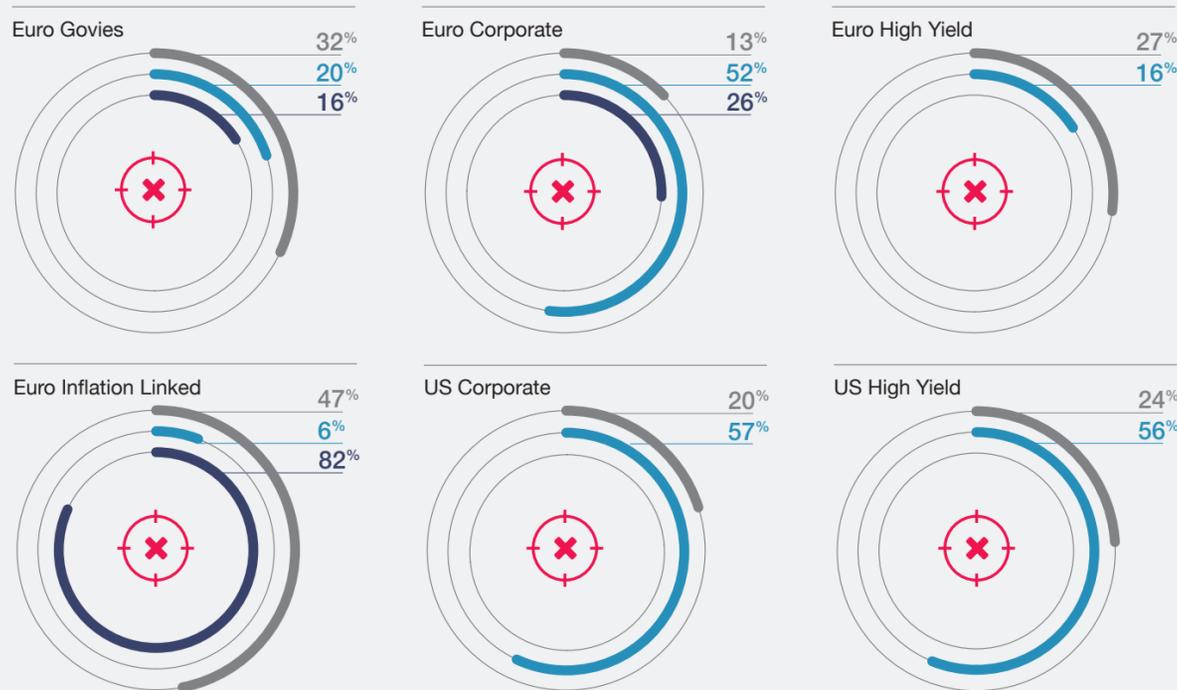
Hit Miss



..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

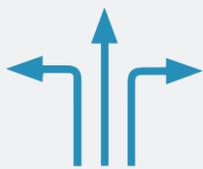
How active & passive compare

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 document has been provided by Lyxor International Asset Management that is solely responsible for its content.

This document is not to be deemed distribution of funds in Switzerland according to the Swiss collective investment schemes act of 23 June 2006 (as amended from time to time, CISA) or any other applicable Swiss laws or regulations.

This document is reserved and must be given in Switzerland exclusively to Qualified Investors as defined by the Swiss Collective Investment Scheme Act of 23 June 2006 (as amended from time to time, CISA).

Financial intermediaries (including particularly, representatives of private banks or independent asset managers, Intermediaries) are hereby reminded on the strict regulatory requirements applicable under the CISA to any distribution of foreign collective investment schemes in Switzerland. It is each Intermediary’s sole responsibility to ensure that (i) all these requirements are put in place prior to any Intermediary distributing any of the Funds presented in this document and (ii) that otherwise, it does not take any action that could constitute distribution of collective investment schemes in Switzerland as defined in article 3 CISA and related regulation.

Any information in this document is given only as of the date of this document and is not updated as of any date thereafter.

This document is for information purposes only and does not constitute an offer, an invitation to make an offer, a solicitation or recommendation to invest in collective investment schemes. This document is not a prospectus as per article 652a or 1156 of the Swiss Code of Obligations, a listing prospectus according to the listing rules of the SIX Swiss Exchange or any other trading venue as defined by the Swiss Financial Market Infrastructure Act of 19 June 2015 (as amended from time to time, FMIA), a simplified prospectus, a key investor information document or a prospectus as defined in the CISA.

An investment in collective investment schemes involves significant risks that are described in each prospectus or offering memorandum. Each potential investor should read the entire prospectus or offering memorandum and should carefully consider the risk warnings and disclosures before making an investment decision.

Any benchmarks/indices cited in this document are provided for information purposes only.

This document is not the result of a financial analysis and therefore is not subject to the “Directive on the Independence of Financial Research” of the Swiss Bankers Association.

This document does not contain personalized recommendations or advice and is not intended to substitute any professional advice on investments in financial products.