

EXCHANGE TRADED FUNDS BY
LYXOR
SOCIETE GENERALE GROUP



About Lyxor Asset Management and the ETF industry

Lyxor Asset Management, a subsidiary of the Société Générale Group, has approximately €81bn of Assets Under Management (AuM), of which €30bn are held in Lyxor Exchange Traded Funds (ETFs).

A leader in cutting edge asset management, Lyxor AM has focused its development on three areas of expertise:

- Exchange Traded and Index Funds
- Structured Funds
- Alternative Funds

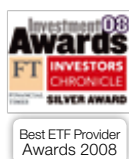
Exchange Traded Funds (€30bn)

Lyxor AM offers one of the most diversified and liquid ranges of ETFs on thirteen major Exchanges in Europe and Asia. Lyxor ETF manages the largest ETF in Europe: the Lyxor ETF DJ Euro Stoxx 50, with over €5.1 billion in Assets under Management¹.

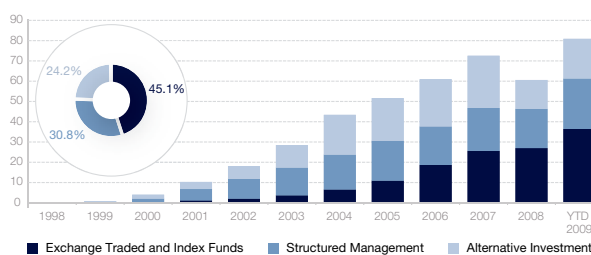
As at the end of Q3 2009, Lyxor AM was the second largest ETF manager with 20.6% of total market share².

Lyxor AM has consistently been recognised for its excellence in services.

In the UK, Lyxor was awarded Best ETF Provider in 2008 by Investor Chronicle



Evolution of Lyxor's AUM, as of November 2009



1: Source: Lyxor Asset Management and Bloomberg, November 2009.

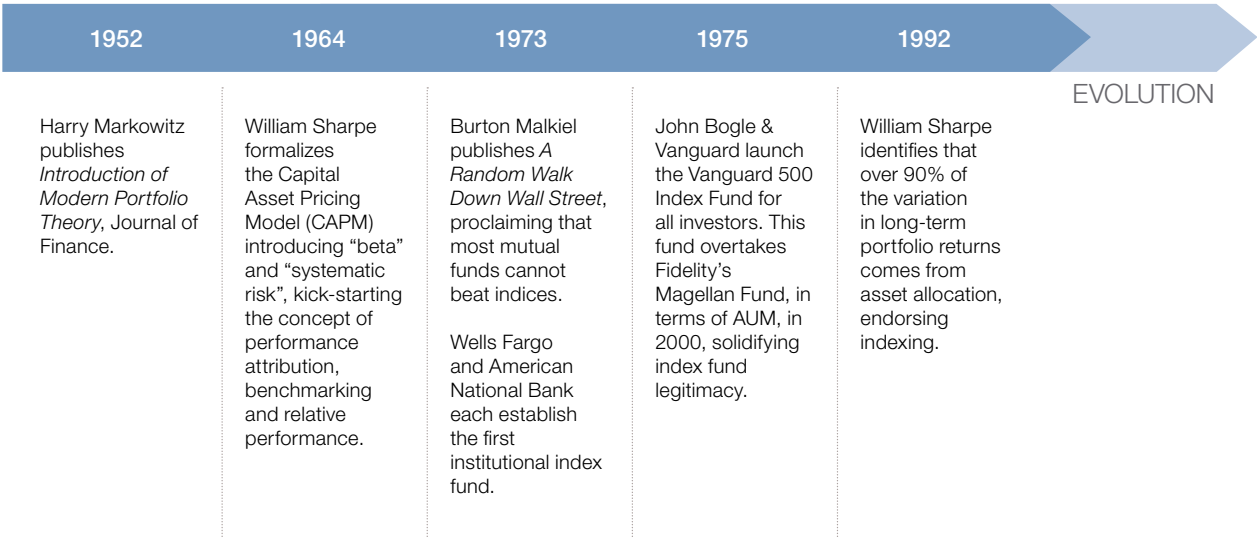
2: Source: Barclays Global Investors, ETF Research & Implementation Strategy Team, Q3 2009



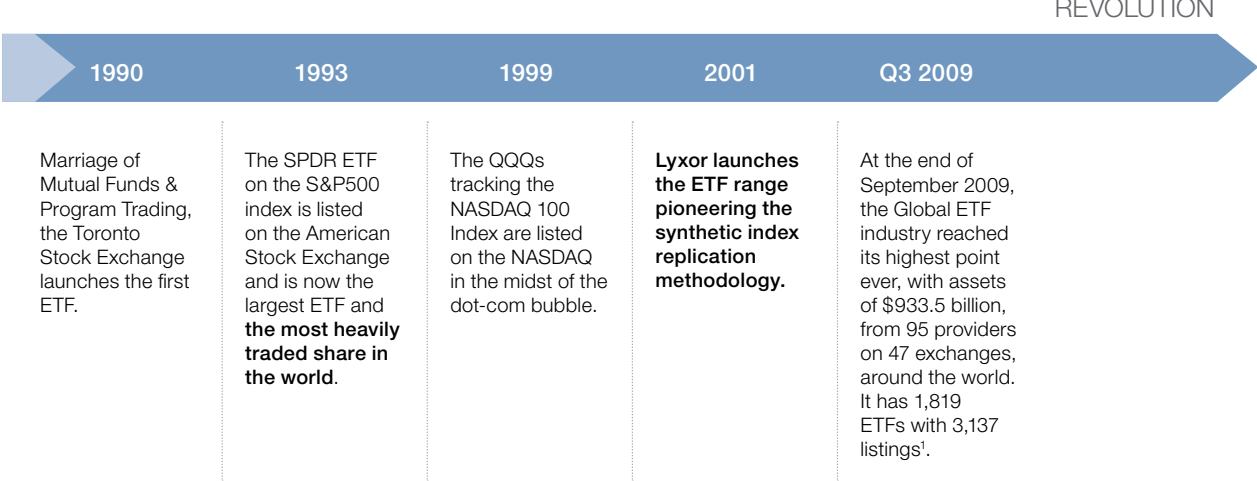
The ETF timeline: from Evolution to Revolution



ETFs within the world of fund management: the birth of index portfolio management...



ETFs within the world of equity trading: tools to implement index portfolio management...



1: Source: Barclays Global Investors, ETF Research & Implementation Strategy Team, Q3 2009.

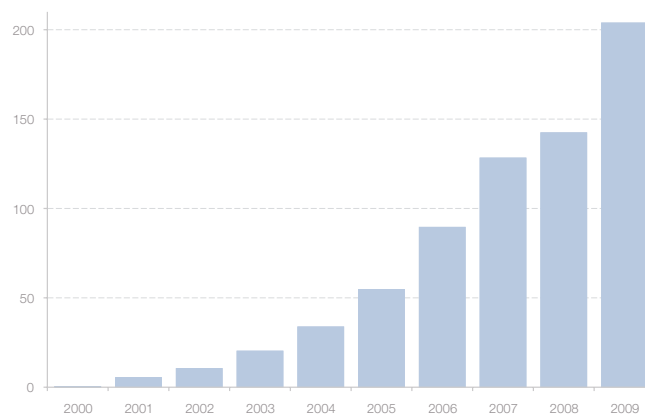
The ETF story: the European ETF market



Sixteen years after the launch of the first Exchange Traded Fund (ETF) on the American Stock Exchange and the development of the US ETF industry, ETFs currently represent the fastest-growing segment in the Asset Management world.

Just nine years after the introduction of Europe's first ETFs, there are now 1.946 listings on European exchanges, with around USD 204 billion in Assets Under Management as increasing numbers of investors, professional and private alike, take advantage of the benefits of these flexible investment tools¹.

The European ETFs industry, AUM growth (US\$ Bn) as of Q3 2009



1: Source: Barclays Global Investors, ETF Research & Implementation Strategy Team, Q3 2009

What are Lyxor ETFs? and why use them?

Lyxor ETFs are index tracking funds, that trade on leading stock exchanges around the world, just like ordinary shares and with a similar risk profile:

■ Index Tracking instruments:

Lyxor ETFs are designed to track the performance of a particular index (the ETF's "benchmark") and therefore returns as closely in line with the benchmark as possible. *By purchasing for example the Lyxor ETF FTSE 100, you get in one trade exposure to the FTSE 100 index (the 'benchmark'). The ETF will go up and down tracking the movements of the benchmark index, net of the management fees.*

■ UCITS III, Open-ended Funds:

Lyxor ETFs are open-ended funds following the European UCITS III Directive (Undertakings for Collective Investments in Transferable Securities). The UCITS III Directive provides guidelines with respect to the nature and level of diversification of a fund's assets, giving the necessary transparency and risk management framework to make them suitable investments for a variety of investors and applications.

■ Exchange traded:

Lyxor ETFs are listed and traded throughout the day just like a share on leading Exchanges around the world. An investor can buy and sell ETF shares through their stockbroker or any SIPP platform at any time during market trading hours. *You can buy and also sell back your ETFs at any time during trading hours. Unlike a traditional mutual fund, you do not have to wait for the next NAV (therefore the end of the trading day).*

Think of ETFs as a cross between mutual funds and shares...

	ETF	MUTUAL FUND	SHARE
Diversification	☑	☑	
Continuous Trading & Pricing	☑		☑
Sales Charges		☑	
Brokerage fees	☑		☑
Management Fees	Low	High	
Cash Settlement	T+3 in CREST		T+3 in CREST
Dividends	☑	☑	☑

Key facts of Lyxor ETFs

- Open-ended index tracking funds that **trade intraday on exchanges**, just like a share
- **Can be accessed** through a stockbroker or a SIPP platform
- Can be included in **ISA and SIPP** accounts
- **No stamp duty** on the London Stock Exchange
- No sales charges when entering or exiting ETFs, only a brokerage fee when trading them
- **Low management fees**
- **UCITS III fund**: all Lyxor ETFs are UCITS III compliant - a set of EU wide rules regulating collective investment schemes





Why use Lyxor ETFs?

Diversification

ETFs are available across asset classes, making them a holistic toolkit for diversification purposes

ETFs are available across asset classes

- Equity
- Fixed-Income
- Cash
- Commodity

With the development of the index industry, the breadth of products available within each asset class allows investors to use ETFs for each component of their asset allocation.

Lyxor currently manages over 160 ETFs and 394 listings in Europe and Asia.

Cost Efficiency

Lyxor ETFs are a cost-effective way to achieve beta exposure. The Total Expense Ratio, “TER” - or management fees - of Lyxor ETFs is all-inclusive and no other costs are deducted from the fund. Typically, the TER of Lyxor ETFs is considerably lower than that of traditional mutual funds, usually from 0.15% p.a. to 0.85% p.a. for the most difficult to access markets such as frontier emerging countries.

Unlike traditional mutual funds, there are no entry or exit fees, only a brokerage fee to trade in and out of an ETF.

Flexibility and Liquidity

In the UK, Lyxor ETFs can be bought or sold at anytime during market hours on the London Stock Exchange. This allows for greater flexibility to adjust the asset allocation or implement some tactical strategies. Liquidity is another key benefit of ETFs. With secondary and primary markets, Lyxor ETFs maintain liquidity that is similar to the liquidity available on the underlying asset.

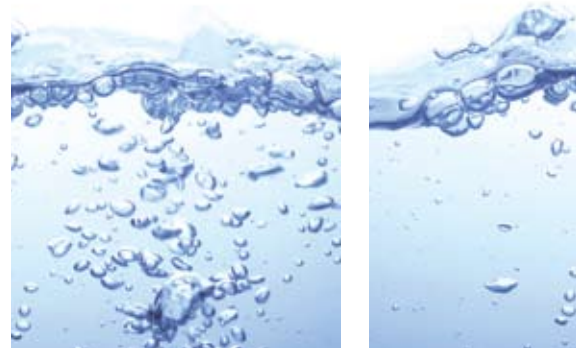
Transparency

Lyxor ETFs provide investors pure beta exposure. Every day, Lyxor makes available the basket of stocks upon which the performance of each Lyxor ETF is based. This is known as the “perfect basket” and is published on Reuters, Bloomberg and at www.lyxoretf.co.uk, along with the Net Asset Value (NAV) for one unit.

In addition, intra-day information on the indicative Net Asset Value (“iNAV”) is published by the relevant stock exchanges, enabling investors to maintain a regular update on the progress of their investment and to compare with the bid/offer in the market.

DIVERSIFICATION - COST EFFICIENCY - FLEXIBILITY - LIQUIDITY - TRANSPARENCY

ETF construction and mechanics: towards a deeper understanding



Rules and Regulations: UCITS III

All Lyxor ETFs are open-ended UCITS III funds.

UCITS stands for Undertakings for Collective Investments in Transferable Securities, with UCITS III being the latest version. It is a set of mutual funds guidelines monitoring the creation and distribution of ETFs and other pooled investments in each country of the European Economic Area (EEA).

UCITS is broken down into two parts:

- A Product directive that defines the range and types of financial instruments that can be used within UCITS funds. This is the directive that ensures a high level of diversification in a fund's holdings and limits its use of derivatives.
- A Management directive that regulates the 'passporting' of a collective investment scheme throughout the EEA. A collective investment scheme registered in one of the EEA countries and 'passported' will be available to any investor of any other EEA country.

Why should an investor need to know about UCITS?

The UCITS III guidelines provide European investor with a high level of protection due a strict and transparent regulatory framework.

What are the key advantages that Lyxor AM offers to investors under UCITS III?

Diversification, limited counterparty risk and limited use of derivatives.

How do ETFs track their benchmarks?

The investment objective of an ETF is to replicate, as closely and purely as possible, the performance of a given underlying index. The ETF is not actively managed and a 'replication methodology' is used to generate accurate benchmark tracking. Synthetic and Physical Replication are the two main index-tracking methodologies used to manage an ETF Portfolio.

Over the past few years, Synthetic Replication has evolved to become the most popular technique as it can provide more effective index tracking and lower ETF holding costs in the long run.

Physical Replication can be achieved via Full Replication or Representative Sampling methodologies which have been traditionally employed in the index fund management industry.

Both Synthetic and Physical replication methods can be compliant with the high risk-monitoring standards of the UCITS III Directive. Compliance with the UCITS III directive is what matters and must be checked as it sets a transparent and clear regulatory framework. Investors must be comfortable with the information given to them in that respect or ask for independent advice.

At Lyxor, we manage 160 ETFs providing access to equity, fixed income and alternative market indices via the Synthetic Replication method. All Lyxor ETFs are compliant with the UCITS III Directive.



How to choose your ETF?



5 elements need to be looked at:

1. The underlying index

The underlying index must provide the exposure you are looking for e.g. be representative of the universe you want to track. For that, it is necessary to have a closer look at the index definition and rules. A summary of the Index objective is available on Lyxor ETFs factsheets and website along with the way to access full information from the index provider.

2. The Total Expense Ratio (TER) and the tracking error

For ETFs, as there are no entry or exit fees, the Total expense Ratio is equivalent to the management fees. For a similar underlying, each provider can have different levels of management fees. In simple terms, tracking error measures how closely an ETF follows the index to which it is benchmarked. One element of tracking error is obviously management fees but the other is the ETF management quality. The better the ETF management, the lower the tracking error. Tracking error can result

in the ETF falling short of the benchmark's returns, or even exceeding it. Lyxor ETFs track their benchmark indices very closely and their tracking error ratios are among the lowest in the industry. Tracking errors are disclosed monthly on our website for each of our ETFs.

3. The liquidity

Liquidity is a key element for ETFs. Lyxor works with multiple brokers (more than 30 as of end of July 2009) that provide ETF liquidity throughout the trading day. The multi-broker model helps to keep bid/offer spreads low and ensures constant ETF liquidity in the market. In addition, Société Générale - one of the brokers appointed by Lyxor AM - has a commitment with the London Stock Exchange to be present throughout the trading session for minimal order sizes and limited quotation spreads.

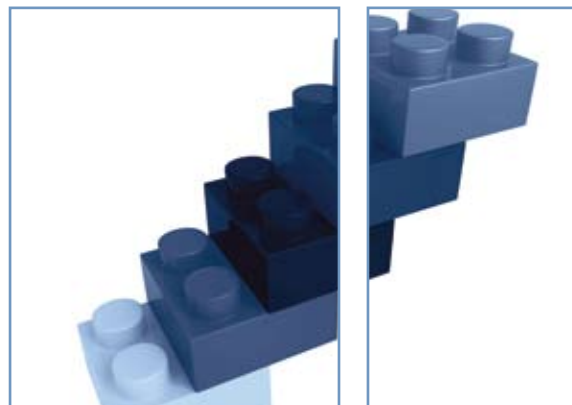
4. The legal structure

Investors must make sure that they understand the structure. The UCITS III regulation provides a safe regulatory framework and that is why all Lyxor ETFs are UCITS III funds.

5. The ETF provider

Assessing the expertise and the commitment of the ETF provider is key. It will lead to effective tracking, improved liquidity and a high level of service regardless of market conditions.

What to remind?



Trading Lyxor ETFs

For full details on the Lyxor ETFs range please visit our website or call us or email us

0800 707 6956

www.lyxoretf.co.uk

You can trade Lyxor ETFs through your **stockbroker**, **SIPP provider** or **wrap platform**. Trading ETFs is exactly similar to trading shares on the LSE without incurring stamp duty upon purchase. ETFs can also be held in **ISAs**.

Most Lyxor ETFs distribute dividends on a periodic basis (schedule available on lyxoretf.co.uk).

All dividend distributions and gains on the sale of Lyxor ETFs shares may be subject to tax on the basis of applicable tax regulations. The dividends distributed by the ETF are subject to applicable French withholding tax. Under certain circumstances, part of this withholding tax may be reclaimed. Please consult your investor or tax advisor for further advice.

All UK listed Lyxor ETFs have UK distributor status which make them eligible for CGT treatment upon disposal¹.

Remember the risks

Lyxor ETFs are tracking instruments: their risk profile is similar to a direct investment in the underlying which may be volatile. In addition, if the Lyxor ETF is quoted in a different currency to the index, currency risk exists.

ETFs Investors' capital is at risk, the maximum loss is the investor's initial investment.

Lyxor ETFs are not suitable for all investors, it is recommended that potential investors study the Prospectus and seek their own independent financial advice before making any decision to invest in Lyxor ETFs.

¹: All information with regard to taxation eligibility is based upon Lyxor's understanding of current UK legislation and HMRC's published practice at time of writing and is subject to change without notice.

This brochure has been issued in the United Kingdom by Société Générale London Branch, which is authorised by Banque de France and authorised and regulated by the Financial Services Authority for the conduct of UK business.

Lyxor ETFs are open-ended mutual investment funds established under French law or Luxembourg law and approved by the Autorité des Marchés Financiers or the CSSF.

The funds are UCITS III compliant however only those funds recognised under S.264 of the Financial Services and Markets Act 2000 may be promoted to retail investors in the UK. A list of recognised funds is maintained on www.lyxoretf.co.uk.

The funds may not be sold to US persons or in jurisdictions where such offering or sale has not been authorised.

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