

Covered Warrants • Turbos • Listed Structured Products



***Serious investors
require serious tools.***

Geared exposure to the underlying at a fraction of its cost.

 **SOCIETE
GENERALE**

www.sgturbos.co.uk
0800 328 1199

SG Turbos are powerful investment tools, enabling investors to trade on the value of shares or indices without having to pay the full price of the underlying

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5 – SG Golden Rules

Turbos allow you to leverage on your bullish (Long Turbo) or bearish views (Short Turbo) for an underlying. You pay a fraction of the cost of the underlying of your choice but still participate almost Pence for Pence in its performance.

They include an in built Knock-Out barrier: should the market go against your view and the barrier be hit, the Turbo expires early. Unlike certain other leveraged offers, your downside risk is limited to your initial investment, no matter how badly the markets move against you.

SG Turbos are listed on the London Stock Exchange and can be traded like shares, held in your SIPP dealing account. There is no stamp duty or margin call when trading SG Turbos, only your normal brokerage fee, usually a fixed cost per trade and not a % of a 'position'.

Why SG Turbos?

- Traded through your broker like a share
- Geared exposure with a known maximum loss
- Traded on the LSE, liquid and with tight bid / ask spreads
- Various trading strategies possible
- Range updated on a regular basis

How to Trade

1

Choose an underlying

2

Have an investment view (bullish or bearish) over a certain time period

3

www.sgturbos.co.uk
Choose Turbos that have the most appropriate Knock-Out level according to your view

4

Trade with your usual UK broker. As for a share you would usually only pay a fixed brokerage fee. No other fee or cost to think about.



Key terms

- **Underlying** – the Underlying or Share you’re buying exposure to
- **Parity** – the number of Turbos required to get exposure to one unit of underlying
- **Strike** – the reference level for the Underlying from which the Turbo is evaluated
- **Knock-Out barrier (KO)** – a pre-determined level price of the Underlying. Should this level be touched, the Turbo will terminate early. For Turbos on indices, KO = Strike
- **Maturity** – the expiry date of the product

How to choose a Turbo

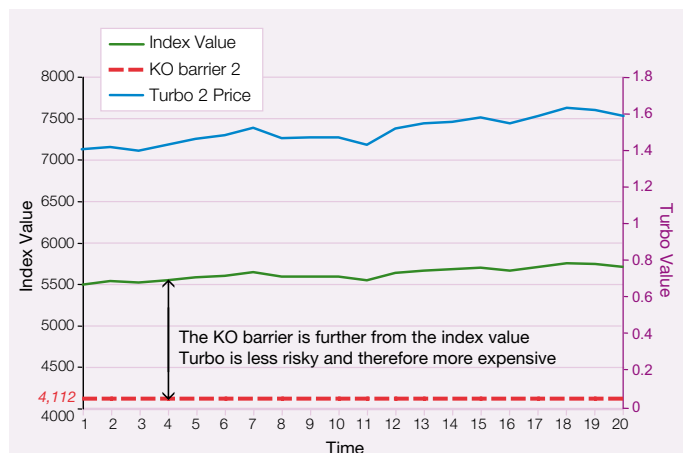
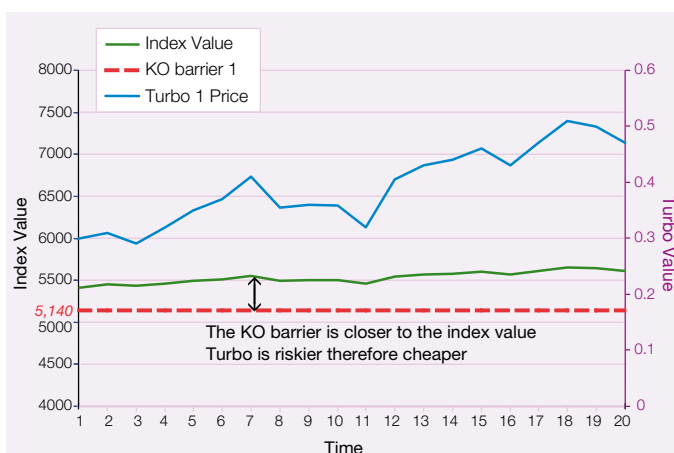
the level of risk

The level of risk among Turbos is different and is primarily determined by the Knock-Out barrier. This level is important for both Long and Short Turbos because it is the level at which the Turbo will automatically expire if touched.

The closer the Knock-Out is to the underlying price, the greater the chance of the Turbo terminating early. The Turbo is therefore riskier and logically its price will be lower than a Turbo with a Knock-Out further from the underlying price. When choosing a Turbo you must therefore consider the best appropriate KO levels according to your view.

Please always remember that Turbos are geared instruments: their price magnifies the moves of the underlying and your capital is at risk, as they can expire worthless.

Consider two identical Long Turbos that are only different by their Knock-Out level (KO). The Turbo with the closest KO barrier (Turbo 1) would be riskier as the probability/risk for the underlying to hit the higher KO barrier is greater. It would therefore have a lower price (to take into account the greater risk) and as a result could potentially give a greater return on the level of investment.





Good to Know

Unlike CFDs or Spread Bets, using SG Turbos you will never lose more than the initial amount invested.

How do Turbos work?

Turbos main objective

1:1 exposure at a fraction of the cost

We can illustrate this with an example on GlaxoSmithKline (GSK).

Consider that GSK is currently trading at 1125p and you anticipate a rise, you wish to obtain a leveraged long position on GSK and so consider buying a Long Turbo.

If the share price of GSK increases by 75p the price of the Turbo will also increase by 75p, thus giving a much greater return in % as you purchase the Turbo at a fraction of the cost of the underlying share.

You can buy and sell a Turbo on the LSE just like shares during their normal trading hours. Below are three potential scenarios after purchase.

	Share	Turbo
Underlying	GSK	GSK
Strike	-	925p
KO barrier	-	1000p
Parity	-	1
Maturity	-	Jan 09
Level/Price	+ 75p ↗ 1125p	+ 75p ↗ 209.3p
Increase	↘ 1200p	↘ 284.3p
Performance	+6.66%	+35.8%

A Turbo is a geared instrument: its price magnifies the move of the underlying. In this example +35.8% vs. +6.66%.

1 Scenario one

Trading

The market price of the Turbo will move mainly according to the underlying spot price.

If the underlying moves according to your view you may reach your return target and want to realise your profits.

You may then simply sell back your Turbo, as SG is committed to provide liquidity and tight bid/ask spreads during LSE trading hours.

When would that scenario happen? Well, for this, you need to understand how the Turbos market price moves.

This market price mostly depends on the Intrinsic Value i.e. the distance between the underlying spot price and the strike price.

Your Turbo's value increases when your market view is realised:

- For a Long Turbo, when the underlying price (Spot Price) moves above the Strike level.
- For a Short Turbo, when the underlying price moves below the Strike level.

The market price of a Turbo also depends on two minor elements, the dividends* of the underlying and the financing fees for a Long Turbo.

2 Scenario two

The Knock-Out barrier has not been hit during the lifetime of the Turbo

If the barrier has not been touched during the life of the Turbo you will be given a cash settlement equal to the Intrinsic Value calculated on the last trading day. Payment occurs on the maturity date (six business days following the last trading day).

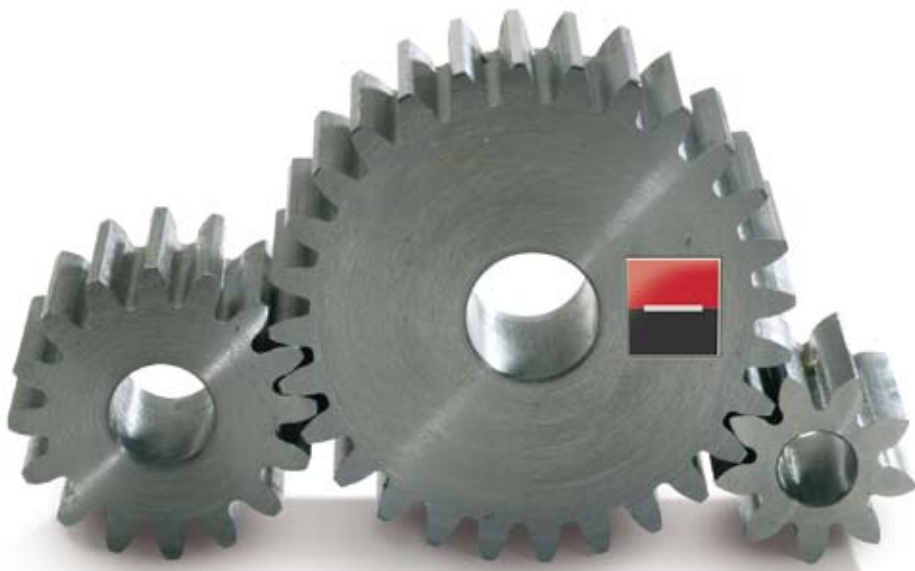
For a Long Turbo

Intrinsic Value = (Underlying price – Strike price) / Parity

For a Short Turbo

Intrinsic Value = (Strike price - Underlying price) / Parity

*If any, some of the indices traded are Total Return i.e. already including Dividends.



3 Scenario three The Knock-Out barrier is hit

This would be the worst case scenario. If the underlying touches the KO barrier then the Turbo will terminate and will expire at a small redemption value. The maximum loss is the value of the initial investment.

For Turbos on single stocks a Redemption Value is calculated (the day the KO barrier is hit) by taking the lowest price level of the underlying for Long Turbos (highest price for Shorts) during the 30 minutes following the Knock-Out being breached.

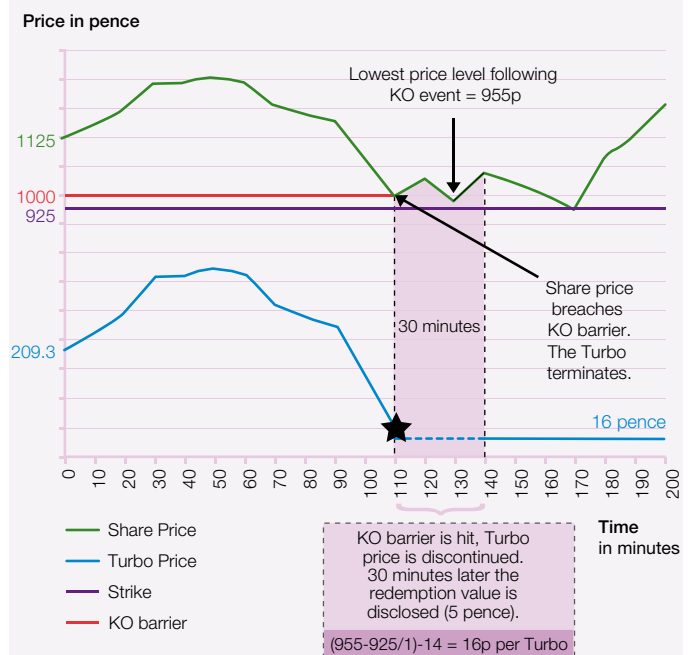
Turbos on indices will expire worthless. The period of 30 minutes do not apply here as there is no Redemption Value calculated. Remember: for Turbos on indices Strike = Knock-Out barrier.

	GSK Long Turbo
Underlying	GSK
Strike	925p
KO barrier	1000p
Parity	1
Maturity	Jan 09
Lowest Price Level	955p
Dividend	14p
Redemption Value	16p

$$\text{For a Long Turbo, Redemption Value} = \frac{(\text{Lowest price level of the underlying} - \text{Strike})}{\text{Parity}} - \text{Dividends}^*$$

$$\text{For a Short Turbo, Redemption Value} = \frac{(\text{Strike} - \text{Highest price level of the underlying})}{\text{Parity}} + \text{Dividends}^*$$

Knock-Out event for a Turbo





Remember that Turbos are not suitable for all investors. They are geared instruments and their price magnifies the moves of the underlying. Your capital is at risk, if you are in any doubt you should consult an appropriately qualified financial adviser.

SG Turbos can be traded on the LSE like shares, held in your SIPP dealing account and there is no stamp duty when trading them. If you want to know more, call us to receive your free SG Turbos guide.

Get your free issue of STRIKE, the first quarterly magazine covering all listed products, and our weekly roundup by sending us an email at listedproducts@sgcib.com quoting SGTURBOFACT.

About Société Générale

SGCIB, the investment banking division of Société Générale, is the world's largest listed products issuer, with a 14 year track record of providing an outstanding trading service. Each year, more than €10 billion is traded in SG listed products across nine global stock exchanges (Paris, Brussels, Madrid, Milan, London, Frankfurt, Stockholm, Helsinki and Zurich).

With the largest number of listed products in the world, SG enables investors to leverage all their investment strategies, using either of the three sub-families: Covered Warrants, Turbos or Listed Structured Products.

In the UK, Société Générale has been present in the Listed Products business since the opening of the Covered Warrants market by the London Stock Exchange in 2004. Today, Société Générale is the major player in the Covered Warrants and Turbos market.



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