An S&P 500 ETF like no other

The unique performance edge of synthetic replication

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Access Markets
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LYXOR etf
SOCIETE GENERALE GROUP

An S&P 500 ETF like no other

By design, our flagship S&P 500 ETF can offer a unique performance edge over its physical peers.

At Lyxor, our goal is to help you make the best of your investments. Performance is central to every aspect of how our ETFs are managed, particularly with regards to replication method. In the case of our S&P 500 ETF, we favour synthetic replication due to potentially better tax treatment of dividends.*

Why we favour synthetic for our S&P 500 ETF*

- If you hold a physical US equity ETF domiciled outside the US, the dividends paid to the fund are generally subject to withholding tax.
- For derivatives or securities that reference dividends paid by US stocks, Section 871(m) of the US Internal Revenue Code applies WHT to dividend equivalent amounts received by non-US persons.
- However, a derivative with respect to a "qualified index" such as the S&P 500 is **out of scope** of 871(m).
- This means that synthetic ETFs domiciled outside the US tracking qualified indices can receive dividends gross rather than net of the 30% WHT (or lower treaty rate) after costs.
- As a result, synthetic S&P 500 ETFs domiciled outside the US such as ours can offer outperformance of up to ~30 basis points compared to physical Irish domiciled ETFs.[1]
- Major asset owners across Europe have recognised our consistently high performance and have switched from major physical S&P 500 ETFs into ours.

3 reasons to consider our ETF

Innovative
Synthetic replication can offer more stable returns, and outperformance due to better tax treatment of dividends*

High Performing
Lowest tracking error and best performing out of the 5 largest S&P 500 ETFs in the market over the past five years[2]

Accomplished
Our $8.7bn flagship ETF has over 9 years of track record and was 2018's third most popular ETF in Europe[2]

Performance of 3 largest S&P 500 ETFs in Europe[3]

Since 871(m) went into effect on January 1st 2017, Lyxor's synthetic S&P 500 has outperformed its physical peers.

	Lyxor ETF performance		
	vs. index	vs. Vanguard	vs. iShares
2017	0.51%	0.28%	0.25%
2018	0.40%	0.21%	0.17%

Currency hedging

- Protect against USD exchange rate risk daily at no extra cost
- EUR, GBP or CHF-hedged share classes.

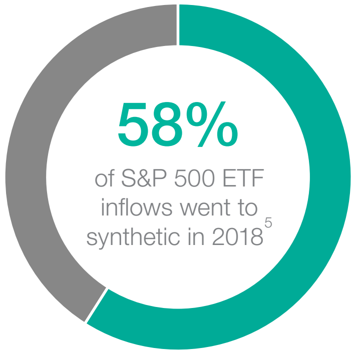
What you need to know

Index and fund details[2]	
Index name	S&P 500 Net Total Return
Index Bloomberg ticker	SPTR500N
Index currency	USD
Number of holdings	505
Index dividend yield	2.03%
ETF name	Lyxor S&P 500 UCITS ETF
Main ETF Bloomberg ticker	SP5
Fund inception date	26/03/2010
Listing currencies	USD, EUR, GBP, CHF
Hedged share classes	EUR, GBP and CHF-hedged (daily)
TER	0.15% (hedged and unhedged)

*The obtaining of the tax advantages or treatments mentioned 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.

[1]All else equal and assuming 15% withholding tax in Ireland and an index dividend yield of 2%. [2]Source: Lyxor International Asset Management Bloomberg. Index and fund data as at 25/06/2019. Performance data over period between 27/06/2014 to 25/06/2019. Statements on Lyxor's credentials vs. peers refer to the European UCITS ETF market only. Past performance is not a reliable indicator of future results. [3]Source: Lyxor International Asset Management, Bloomberg. Data period from 03/01/2017 to 27/12/2018. Past performance is not a reliable indicator of future results.

How synthetic ETFs work



While synthetic ETFs are perceived as being more complex than physical funds, sometimes the additional performance delivered more than justifies using them in client portfolios. This is particularly true for the Lyxor S&P 500 ETF.

Perceived risk vs. actual risk

- Synthetic ETFs contain a degree of counterparty risk, but some physical ETFs engage in securities lending to boost performance, meaning they too are exposed.
- Over the 12 months to December 2018, for just one basis point of additional performance, a major provider lent out as much as 12% of its physical S&P 500 ETF's AUM, posting collateral as varied as equities, bonds and even its own ETFs![4]

Robust risk management

- At Lyxor, we target 0% counterparty risk: whenever the counterpart (in this case, Societe Generale) owes the fund any positive value, this amount is paid out in cash which the ETF uses to buy more securities in the substitute basket, and the swap value is reset to zero overnight.
- Eligible securities for the substitute basket are international blue chip stocks which must adhere to strict UCITS guidelines on diversification, quality, size and liquidity.
- Information around Lyxor swap counterparties, substitute basket values and historic counterparty risk levels are available daily on our website, www.lyxoretf.com (see screenshots below).
- In the unlikely event that the swap counterparty goes bust, the ETF portfolio managers have a choice of either appointing an alternative swap counterparty, changing the fund to physical replication, or liquidating the substitute basket and returning the proceeds to the ETF holders.

Top 10 Fund Holdings

Name	Currency	Quantity	Weight %
AMAZON.COM INC	USD	217,683	4.60%
BNP PARIBAS	EUR	8,130,904	4.21%
KERING	EUR	500,000	3.27%
ALPHABET INC-CL C	USD	230,531	2.82%
AXA SA	EUR	9,064,401	2.68%
MICROSOFT CORP	USD	1,594,876	2.39%
FACEBOOK INC-A	USD	974,550	2.07%
INTL BUSINESS MACHINES CORP	USD	1,218,425	1.90%
NVIDIA CORP	USD	1,060,229	1.81%
MCDONALD'S CORP	USD	739,541	1.71%

Source: Lyxor ETF website, as at 25/06/2019.

Swap Information

What's the difference anyway?

- Physically replicated ETFs purchase all (or a representative subset) of the index holdings to mirror its return, while synthetic ETFs buy a substitute basket of physical assets and instead provide the index return through a financial transaction with a counterparty called a 'performance swap'.
- The main difference between physical and synthetic replication is one of function: physical replication relies on the assets to deliver performance, while synthetic replication uses them for safety.

[4]Source: iShares website, collateral holdings 12 month lending summary of the iShares Core S&P 500 UCITS ETF as of 07/12/2018. [5]Source: Lyxor International Asset Management, Bloomberg, as at 31/12/2018.

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Five things to know

High performing
Lowest tracking error and best performing out of the 5 largest S&P 500 ETFs in the market over the past five years[6]

Innovative
Synthetic replication can offer more stable returns, and outperformance due to better tax treatment of dividends*

Accomplished
Our $8.7bn flagship ETF has over 9 years of track record and was 2018's third most popular ETF in Europe[6]

Transparent
Robust risk management policies with daily transparency around swap counterparty exposure and fund holdings

Currency hedging
Protect against USD currency risk at no extra cost with EUR, GBP and CHF-hedged share classes available

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

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.

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

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[6]Source: Lyxor International Asset Management/Bloomberg, as at 27/06/2014 to 25/06/2019. Performance data over period between 27/12/2013 and 27/12/2018. Statements relating to Lyxor's credentials vs. peers refer to the European UCITS ETF market only. Past performance is not a reliable indicator of future results.