

# Alpha/Beta Allocator: US Equities

## Why pay more for less?

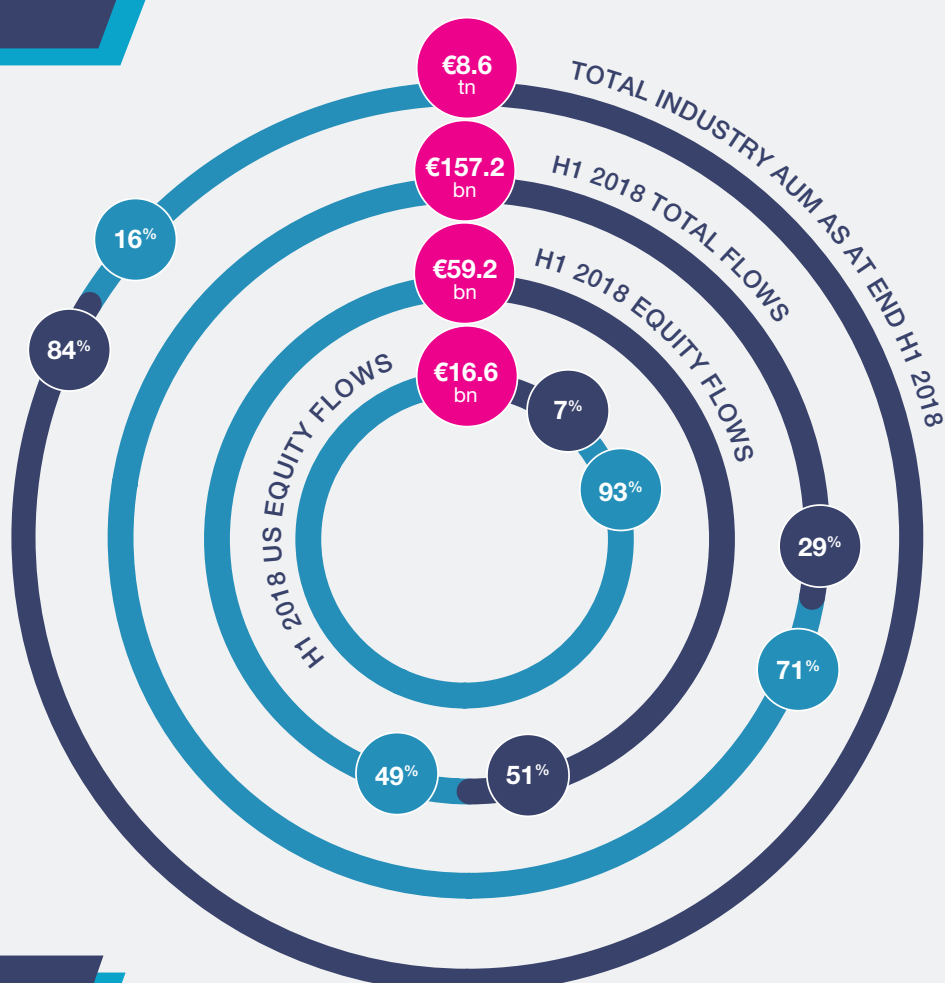
### The industry

AUM & flows

■ Active ■ Passive

“The data is clear – passive is now the default choice”

Marlène Hassine Konqui, Head of ETF Research

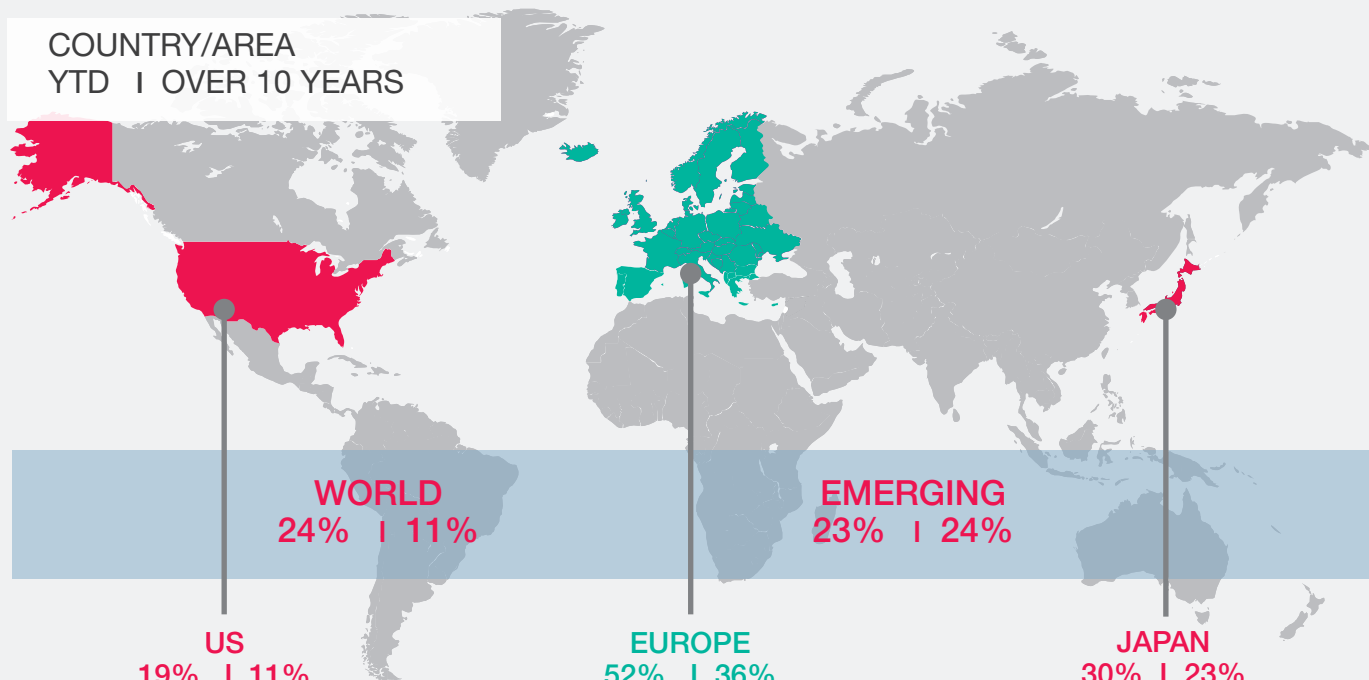


### The active managers

Performance vs. benchmarks

Europe is one of the best regional destinations for alpha seekers...

■ Hit ■ Miss



...but very few managers beat the conventional broad benchmarks in the US whether over the short, or long, term.\*

■ 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

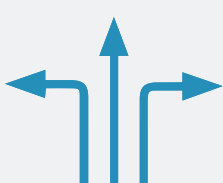
How active & passive compare

Active 0.89%  
ETF 0.21%

The typical active equity fund is c.4x more expensive than the typical ETF – why pay more for less?

### Why Lyxor for US equities?

14 routes into US equities



Lowest cost core US equity exposure in Europe  
**0.04%**

Best performing: S&P 500 ETF



Oldest: NASDAQ 100 & DJIA ETFs



Source: Lyxor International Asset Management. Performance data over 5 years as at 23/04/2018. All other sources, including costs refer to European ETF market and were correct as at 5 July 2018. Past performance is no guide to future returns.

\*Source: Morningstar and Bloomberg data from 31/12/2007 to 29/06/2018, 10 yr results as at 31/12/2017. 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 quarter’s result vs. the long-term averages. Performance data calculated to end August 2018 vs. top 5 ETFs on this index. Past performance is no guide to future returns.

## Conflicts of interest

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## 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](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 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

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