Leave no stone unturned

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Go further in the US

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With the domestic growth engine stuttering in Europe and Brexit looming, we’ve all been casting envious eyes over the pond at the seemingly smooth acceleration of the US economy.

At least as investors we’ve had the chance to capture its benefits in our portfolios. Anyone who made the call to invest in the S&P500 since early 2009 has been part of the longest bull run in its history. But nothing lasts forever, and the cycle is ageing.

We’re still championing US equities, because profit margin expansion persists, but we do believe we’re now at the stage where a little more selectivity is required to make the most of the bull’s last reserves of energy. This guide - the first of a forthcoming series of regional spotlight reports – was built to help you get your portfolio over the finish line with the best possible results.
1. Outlook - what’s next?

Despite their strength – and overwhelming popularity – we still feel there's more to come from US equities, even at this late stage of the cycle, because of the Trump administration’s unprecedented stimulus package. So for now at least, we’re not put off by seemingly problematic valuations, although they may limit long-term upside potential.

When assessing any US equity allocation today, you have to factor in the fallout from the fiscal push. It helped US corporates avoid typical late-cycle issues like slowing earnings growth and a squeeze on profit margins and also ensured a favourable environment for Financials and Technology, through deregulation and tax reform respectively. We also favour more conventional late-cycle calls, including Energy and Healthcare.

There are some areas we’d rather avoid too. We’re wary of the Consumer Discretionary sector given company specific risks and problematic valuations, particularly in e-retailing. We’re also keeping a watchful eye on the most defensive sectors – especially those more sensitive to interest rate rises including Utilities and Consumer Staples. We had held a negative view on Telecoms too, but the sector’s recent expansion and conversion to “Communication Services” – which led to the inclusion of companies like Facebook and Netflix and the sector having more of a leaning towards growth - does change our view. That said, regulatory issues affecting data privacy still merit some caution.

The tax cuts should still stimulate additional profit growth for smaller companies, many of which benefit from a domestic bias to their business – making them slightly less vulnerable to the ongoing trade disputes.

Views, opinions and recommendations are those of Lyxor Cross Asset and ETF research analysts and/or strategists as of September 2018. Source for index weights data: Lyxor International Asset Management, Data as at 31/07/2018. For illustrative purpose only.
2. Returns & valuations

The US equity market has been the top performer in euro terms since the beginning of the year, returning 13%+, which is well ahead of the likes of Europe and Japan.

When looking at the performance of the mainstream US equity indices, you can see the NASDAQ 100 has taken the lead, followed by growth and small caps. Each of these have returned 17%+ in euro, total return terms. On the other hand, value stocks have lagged their peers quite significantly (around 6.6% as of end August 2018).

The performance of broader blue chip indices such as MSCI USA, S&P 500 and the DJIA (ranging between ~10% and 13%) was more muted.

Among the sectors, Tech has taken the lead having been bolstered by strong balance sheets and general technological improvements. Energy – one of the major late-cycle sectors – was another to perform well, supported by rising oil prices and global economic growth. At the other end of the spectrum, defensive stalwarts like consumer staples and telecom services have underperformed on high competition and profit margin pressures.

Source for returns and valuation data: Thomas Reuters, Datastream, MSCI, Lyxor International Asset Management. All results displayed in euro terms. Data as at 31/08/2018. Past performance is not a reliable indicator of future results.
Valuations: US vs rest of the world

US equity valuations do look stretched when compared to their history and other developed market equity indices – especially with corporate profits standing at a 17-year high. But those valuations aren’t necessarily high enough to trigger a bear market. Rising inflation and bond yields are more of a concern.

At the sector level, it’s true Tech looks expensive but it does have the catalysts needed to keep its engine running. In contrast, Consumer Discretionary stocks do look overvalued given company specific risks, as do Industrials. On the other end Energy, Healthcare and Banks are more reasonably valued.

3. Flows & sentiment

Overall position
It’s not been the most positive year for the European ETF market thus far - but that is viewing them through a lens that was changed by the many records set last year. Equities however have still enjoyed a decent year.

Equity breakdown
US equities have proven overwhelmingly popular with investors desperate for signs of economic growth. They’ve been the best market performers in euro terms since the beginning of the year and their dominance in terms of flows year-to-date is little short of astonishing.

The US in focus
By the end of August, they’d gathered record YTD inflows of nearly €15bn – that’s nearly 64% of all equity flows and almost more than developed market equity ETF flows in total, given the sustained outflows from Europe we saw between February and July.

Did you know?
Passive won a 93% share of US equity inflows in Europe in H1 2018.*

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Record inflows to end August
A benign macroeconomic pulse, the positive effects of tax reform and a positive earnings season drove flows into US equity ETFs to €14.7bn by the end of August – their best ever start to a year.

Sectors solidify
Flows haven’t been limited to traditional large cap exposures however. As the economic cycle has aged, investors have become more selective in their allocations with sector ETFs gaining traction. Sector inflows in fact hit a record €1.6bn YTD by the end of August.

Technology
Tech has proven by far the most popular sector with around €900m of inflows – that’s 50%+ of all sector inflows.

Source for all data: Lyxor International Asset Management, Bloomberg. Data period from 01/01/2015 to 31/08/2018. Data shown is cumulative for each calendar year. Past performance is not a reliable indicator of future results.
**NASDAQ 100**

The tech-heavy NASDAQ 100 ETF also enjoyed record inflows of almost €1.4bn to the end of August, peaking in June and July with a combined €913m of inflows.

**2018 results under the microscope**

**Benchmarks exposed**

Flows into the mainstream indices reached a record YTD high of €11.2bn by the end of August. The major winner was the S&P 500 by a clear margin, despite it not performing as well as some of the other tech or small cap-focused benchmarks. To date, there are few signs of the selectivity investors may need at this stage of the cycle.

**S&P 500 the clear winner (€m)**

The tech-heavy NASDAQ 100 ETF also enjoyed record inflows of almost €1.4bn to the end of August, peaking in June and July with a combined €913m of inflows.

**Styles and themes exposed**

With investors favouring more conventional exposures as the bull run lengthened, S&P 500 flows dwarfed those of specific styles and themes. Outflows were observed across all non-benchmark exposures, including income, risk-based, value and growth strategies.

**No great interest in specific styles or themes (€m)**

Source: Lyxor International Asset Management, Bloomberg. Data period from 01/01/2015 to 31/08/2018. Data shown is cumulative for each calendar year. Past performance is not a reliable indicator of future results.

Source for 2018 data: Lyxor International Asset Management, Bloomberg. Cumulative data from 01/01/2018 to 31/08/2018. Past performance is not a reliable indicator of future results.
Growth vs value
While both styles have seen negative YTD flows, value has underperformed and proven more unpopular at this stage of the cycle. Growth, led by tech, has proven more popular and more effective.

Small & mid caps
US small & mid cap ETF flows rebounded in June and July, bringing the total year-to-date amount to €648m.

Key winners and losers in 2018

- **Broad**: €12.5bn
- **Information Technology**: €914m
- **Small & mid caps**: €648m
- **Dividend**: -€355m
- **Financials**: -€420m
- **Fundamental + risk-based**: -€463m

Source for all data: Lyxor International Asset Management, Bloomberg. Cumulative data from 01/01/2018 to 31/08/2018. Past performance is not a reliable indicator of future results.
4. Performance – Choosing the right kind of investment

Active or passive: Little to no contest, passive wins out

Choosing the right investment vehicle in any market can be challenging – except that is, in the US, where active managers really do struggle to beat their benchmarks. At the end of H1 2018, fewer than 1 in 5 large-cap managers (19%) were giving investors what they paid for. At least that’s better than the 11% that have delivered over the last decade.

Equity hotspots - % active funds beating their benchmarks

<table>
<thead>
<tr>
<th>Region</th>
<th>H1 2018</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>24%</td>
<td>11%</td>
</tr>
<tr>
<td>US</td>
<td>19%</td>
<td>11%</td>
</tr>
<tr>
<td>Eurozone</td>
<td>47%</td>
<td>41%</td>
</tr>
<tr>
<td>Emerging</td>
<td>23%</td>
<td>24%</td>
</tr>
<tr>
<td>Japan</td>
<td>30%</td>
<td>23%</td>
</tr>
</tbody>
</table>


Equity results in detail

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>2017</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Large Caps</td>
<td>19%</td>
<td>11%</td>
<td>32%</td>
</tr>
<tr>
<td>US Small Caps</td>
<td>25%</td>
<td>50%</td>
<td>57%</td>
</tr>
<tr>
<td>US Equity Growth</td>
<td>53%</td>
<td>11%</td>
<td>38%</td>
</tr>
<tr>
<td>US Equity Value</td>
<td>66%</td>
<td>55%</td>
<td>76%</td>
</tr>
</tbody>
</table>

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 quarter’s result vs. the long-term averages. 10 year results are as at end December 2017. Past performance is not a reliable indicator of future results.
ETFs or futures: ETFs more effective than you might think

It’s often said that very few managers beat the S&P500, so passive has long been the default choice. In fact, 93% of all flows from European investors into US equities in H1 went to passive funds.¹ But which passive vehicle should you choose?

Sophisticated investors tend to believe futures are more liquid options than ETFs and cost less overall but do the results stack up? Not as often as they’d have you believe in our view.

Taking three US equity markets as our examples, we can see that using our S&P 500 UCITS ETF to invest in large-caps would have given you an extra 11 basis points (bps) of annualised performance over the equivalent futures contract. For small-caps, the results were similar, with our Russell 2000 UCITS ETF generating an additional 13bps of extra annualised performance.²

In contrast, for the NASDAQ 100, futures contracts still win out. So, when choosing your passively managed investment, you still need to be selective wherever possible.²

Note: To calculate the cost of carry of a Futures instrument we look at the following factors:
- Cash drag (cost of financing): to replicate an ETF position, an investor should buy a future and invest the same nominal of cash in money market instruments, to match the funding leg of the future. It is calculated as the difference between a cautious money market investment (3M government bill) and the implied banking rate in the future (3M euribor/ libor)
- Repo: gain/ cost of holding the position over a period of time which may vary upon market conditions.
- Rolls: cost incurred when renewing the position (bid-offer spread & other execution costs including commissions, clearing costs...).
- Execution costs: cost of entering and exiting a position (bid-offer spread & other execution costs including commissions, clearing costs...).

Note: The future price is discounted to account for dividends paid on the underlying securities before maturity. This adds to volatility of Futures pricing, particularly at times when dividends are distributed (Mar-June period)

¹Source: Morningstar and Bloomberg data as at 29/06/2018. Past performance is not a reliable indicator of future results. ²Source: Lyxor International Asset Management. Data over one year as at 31/08/2018. Detailed methodology and assumptions made available on request. Market conditions may change and have an impact on performance of ETFs and futures. Past performance is not a reliable indicator of future performance.
Precision and selectivity are the watchwords at this late stage of the cycle. Look to lower cost exposures to make the most of whatever upside remains, tilt towards tech or bet on the specific issues boosting banks with indices like the Morningstar US Large-Mid Cap, the NASDAQ 100 or the S&P 500 Banks. Make the energy play with the Russell 1000 Value or tap into small-cap potential with the Russell 2000 – which sources nearly 80% of its revenues domestically (vs. about 73% for the S&P 500 and 59% for the DJIA). Alternatively, you could seek to add some resilience to your portfolio with quality income or minimum variance strategies.

In contrast, the S&P 500 and MSCI USA look most exposed to those areas we favour least, while the FTSE USA Core Infrastructure comes with a 50%+ allocation to Utilities. Use the data and rankings below to help with your decision.

5. Index explorer

Ranking sector exposures

Source: Lyxor International Asset Management. Data as at 31/07/2018. For illustrative purposes only. This is not a recommendation.
**Sectors are changing – here’s what you need to know**

Because the ways in which we communicate and access entertainment have changed, investment sectors are changing too. The Global Industry Classification Standard (GICS) for the Telecommunication Services sector was expanded on 24 September 2018 to include companies previously categorised as Information Technology (including Facebook) and Consumer Discretionary (like Netflix). It will henceforth be known as the Communication Services sector.

**What it means for your US equity allocation**

These changes impact global equities, including US stocks, but the extent of their impact depends on the index. For example, the S&P 500 is a market-cap weighted index covering all sectors, meaning there haven’t been any material changes to the companies it holds but some sector weights have shifted, with the Information Technology, Consumer Discretionary and Communication Services sectors undergoing some significant changes. As for when these changes take effect, it depends on the index provider. S&P for example has already implemented these changes, but MSCI only plans to roll them out as part of its semi-annual review in November 2018.

### B. Indices explored

<table>
<thead>
<tr>
<th>Indices</th>
<th>S&amp;P 500</th>
<th>Morningstar US Large-Mid Cap</th>
<th>MSCI USA</th>
<th>DJIA</th>
<th>NASDAQ 100</th>
<th>Russell 1000 Value</th>
<th>Russell 1000 Growth</th>
<th>Russell 1000 Min Variance</th>
<th>FTSE USA Min Variance</th>
<th>FTSE USA Qual/Vol Yield</th>
<th>FTSE USA ESG Rating</th>
<th>FTSE USA Core Infrastructure</th>
<th>MSCI USA ESG</th>
<th>S&amp;P 500 Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sectors</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Con. Staples Con. Disc.</td>
<td>12.8%</td>
<td>12.9%</td>
<td>13.2%</td>
<td>14.6%</td>
<td>21.8%</td>
<td>14.5%</td>
<td>8.3%</td>
<td>17.7%</td>
<td>14.9%</td>
<td>11.8%</td>
<td>1.9%</td>
<td>11.5%</td>
<td>10.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>6.9%</td>
<td>6.5%</td>
<td>6.7%</td>
<td>7.6%</td>
<td>6.0%</td>
<td>2.7</td>
<td>7.3%</td>
<td>5.7%</td>
<td>11.5%</td>
<td>15.4%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>8.0%</td>
<td>0.0%</td>
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<tr>
<td>Materials</td>
<td>6.2%</td>
<td>6.0%</td>
<td>6.2%</td>
<td>5.5%</td>
<td>0.0%</td>
<td>4.5%</td>
<td>10.9%</td>
<td>1.0%</td>
<td>3.9%</td>
<td>6.8%</td>
<td>0.0%</td>
<td>10.1%</td>
<td>4.6%</td>
<td>0.0%</td>
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<tr>
<td>Industrials</td>
<td>15.4%</td>
<td>15.7%</td>
<td>15.1%</td>
<td>15.8%</td>
<td>0.0%</td>
<td>21.3%</td>
<td>25.8%</td>
<td>5.6%</td>
<td>15.3%</td>
<td>5.4%</td>
<td>43.6%</td>
<td>7.8%</td>
<td>16.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>14.5%</td>
<td>14.0%</td>
<td>14.1%</td>
<td>13.1%</td>
<td>9.6%</td>
<td>15.2%</td>
<td>14.3%</td>
<td>13.6%</td>
<td>12.8%</td>
<td>15.3%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>11.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Utilities</td>
<td>9.3%</td>
<td>9.7%</td>
<td>9.2%</td>
<td>17.0%</td>
<td>2.1%</td>
<td>15.2%</td>
<td>11.5%</td>
<td>8.1%</td>
<td>10.4%</td>
<td>11.9%</td>
<td>24.2%</td>
<td>11.3%</td>
<td>0.0%</td>
<td>0.0%</td>
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<tr>
<td>Telecom</td>
<td>26.2%</td>
<td>26.0%</td>
<td>26.5%</td>
<td>23.5%</td>
<td>59.8%</td>
<td>14.6%</td>
<td>42.1%</td>
<td>8.8%</td>
<td>10.3%</td>
<td>17.6%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>30.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>2.6%</td>
<td>2.9%</td>
<td>2.7%</td>
<td>1.8%</td>
<td>0.0%</td>
<td>4.5%</td>
<td>4.0%</td>
<td>1.8%</td>
<td>3.2%</td>
<td>1.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Utilities</td>
<td>1.3%</td>
<td>1.6%</td>
<td>1.4%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.7%</td>
<td>2.5%</td>
<td>0.8%</td>
<td>4.0%</td>
<td>4.4%</td>
<td>54.5%</td>
<td>5.2%</td>
<td>1.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Telecom</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.1%</td>
<td>1.4%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>3.6%</td>
<td>0.3%</td>
<td>1.1%</td>
<td>5.5%</td>
<td>0.0%</td>
<td>2.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Utilities</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.8%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.2%</td>
<td>5.5%</td>
<td>0.0%</td>
<td>12.6%</td>
<td>5.1%</td>
<td>0.0%</td>
<td>49.6%</td>
<td>3.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Source: Lyxor International Asset Management. Data as at 31/07/2018. For illustrative purposes only. This is not a recommendation.
C. Comparing cyclical vs. defensive characteristics

Source: Lyxor International Asset Management. Data as at 31/07/2018. For illustrative purposes only. This is not a recommendation. Past performance is not a reliable indicator of future results.

D. Index dividend yields

Source: Lyxor International Asset Management, Bloomberg. Data as at 31/08/2018. For illustrative purposes only. This is not a recommendation. Past performance is not a reliable indicator of future results.
Quarterly Spotlight – US equities

E. Company size

- Market cap >€30bn
- Market cap €10bn-30bn
- Market cap €2bn-10bn
- Market cap <€2bn

Dow Jones Industry Average
NASDAQ 100
FTSE USA Qual/Vol/Yield
s&P 500 banks
S&P 500
Russell 1000 Growth
MSCI USA
Morningstar US Large-Mid Cap
Russell 1000 Value
MSCI USA ESG
FTSE USA Core Infrastructure
FTSE USA Minimal Variance
FTSE EPRA/NAREIT United States
Russell 2000

F. Source of revenues

- International revenue
- US revenue

Russell 2000
S&P 500
MSCI USA
GA
NASDAQ 100

Source: Lyxor International Asset Management. Data as at 31/07/2018. Past performance is not a reliable indicator of future results.

G. Returns & volatility compared

<table>
<thead>
<tr>
<th>Index</th>
<th>1Y return</th>
<th>1Y annualised volatility</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>21.6%</td>
<td>14.1%</td>
</tr>
<tr>
<td>MSCI USA</td>
<td>21.7%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Dow Jones Industrial Average</td>
<td>22.8%</td>
<td>15.0%</td>
</tr>
<tr>
<td>NASDAQ 100</td>
<td>31.6%</td>
<td>17.9%</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>27.7%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Russell 1000 Value</td>
<td>14.1%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Russell 1000 Growth</td>
<td>29.5%</td>
<td>15.4%</td>
</tr>
<tr>
<td>FTSE USA Minimum Variance</td>
<td>16.5%</td>
<td>11.5%</td>
</tr>
<tr>
<td>FTSE USA Qual/Vol/Yield</td>
<td>13.6%</td>
<td>12.8%</td>
</tr>
<tr>
<td>FTSE USA Core Infrastructure</td>
<td>12.0%</td>
<td>12.9%</td>
</tr>
<tr>
<td>FTSE EPRA/NAREIT United States</td>
<td>7.9%</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

Source: Lyxor International Asset Management. Data as at 31/06/2018. Past performance is not a reliable indicator of future results.
6. ETFs to consider

If you see the US as a land of opportunity, look no further. Our US equity range opens up 14 possible routes to travel, across mainstream and more specific indices from just 0.04%. And, because we’ve been managing ETFs in the region for over 17 years, and run over €9bn in assets, we may just be the guide you need.¹

Our range explained¹

<table>
<thead>
<tr>
<th>UCITS ETF</th>
<th>Total Expense Ratio¹</th>
<th>Assets under Management²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lyxor S&amp;P 500</td>
<td>0.15%</td>
<td>€6.5bn</td>
</tr>
<tr>
<td>Our flagship US blue chips fund, with over 8 years’ track record and €6.5bn in assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor Core Morningstar US</td>
<td>0.04%</td>
<td>€51.8m</td>
</tr>
<tr>
<td>At just 0.04%, it’s the lowest cost ETF in Europe for US large and mid caps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor MSCI USA</td>
<td>0.25%</td>
<td>€1.3bn</td>
</tr>
<tr>
<td>The most widely traded MSCI USA ETF in Europe over the past 5 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor Dow Jones Industrial Average</td>
<td>0.50%</td>
<td>€235.6m</td>
</tr>
<tr>
<td>The oldest US equity ETF in Europe, with over 17 years’ track record</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor NASDAQ 100</td>
<td>0.30%</td>
<td>€679.1m</td>
</tr>
<tr>
<td>The oldest NASDAQ 100 ETF in Europe, with over 17 years’ track record</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor Russell 2000</td>
<td>0.19%</td>
<td>€5.3m</td>
</tr>
<tr>
<td>The best performing Russell 2000 ETF in Europe over the past year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor Russell 1000 Value</td>
<td>0.19%</td>
<td>€21.5m</td>
</tr>
<tr>
<td>At 0.19%, our unique Russell 1000 Value ETF is the lowest cost US value ETF in Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor Russell 1000 Growth</td>
<td>0.19%</td>
<td>€86.2m</td>
</tr>
<tr>
<td>At 0.19%, our unique Russell 1000 Growth ETF is the lowest cost US growth ETF in Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor FTSE USA Minimum Variance</td>
<td>0.20%</td>
<td>€93m</td>
</tr>
<tr>
<td>More effective at reducing risk compared to other ETFs of its kind³ - and the most popular so far this year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor FTSE US Quality Low Vol Dividend</td>
<td>0.19%</td>
<td>€0.4m</td>
</tr>
<tr>
<td>At 0.19%, our unique US equity income ETF is the cheapest of its kind in Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor FTSE USA Infrastructure</td>
<td>0.60%</td>
<td>€5.6m</td>
</tr>
<tr>
<td>The only US broad infrastructure ETF in Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor FTSE EPRA/NAREIT United States</td>
<td>0.40%</td>
<td>€15.5m</td>
</tr>
<tr>
<td>Lowest tracking error amongst US real estate ETFs in Europe over the past 5 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor S&amp;P 500 Banks</td>
<td>0.20%</td>
<td>€9.9m</td>
</tr>
<tr>
<td>The only ETF tracking S&amp;P’s Banks and Diversified Financials Index, with greater access to the economic growth engine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lyxor MSCI USA ESG Trend Leaders</td>
<td>0.25%</td>
<td>€4.6m</td>
</tr>
<tr>
<td>At 0.25%, our unique MSCI USA ESG Trend Leaders ETF is the lowest cost US ESG ETF in Europe</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹Source for all data: Lyxor International Asset Management/Bloomberg, as at 31/08/2018. Past performance is not a reliable indicator of future results. Statements refer to European ETF market.
Product Spotlight

Our far-reaching range of US equity products is growing all the time as the recent addition of our S&P 500 Banks ETF shows. Here are four of the best, and most relevant, right now:

S&P 500

Our flagship S&P 500 sets the benchmark

- **Why now?**
  If you’re keen to maximise your broad market returns, look no further than our S&P 500 ETF – long established as one of the best-performing, most dependable ETFs on this exposure.

- **Why this product?**
  It’s the largest and most liquid synthetic US ETF in the world, and a great way to discover how synthetic replication delivers value on mainstream US indices.¹

- **How does it compare?**
  If you judge us on individual metrics like size, longevity, performance, efficiency or liquidity (in this case trading volume), we believe our record stacks up well. Wrap them all together, and we believe that, pound for pound, this is the best all round S&P 500 ETF there is.

¹Source for all data: Lyxor International Asset Management/Bloomberg, as at 31/08/2018. Data based over a five year period unless otherwise specified. Efficiency data is based on the efficiency indicator created by Lyxor’s research department in 2013. It examines 3 components of performance: tracking error, liquidity and spread purchase/sale. Each peer group includes the relevant Lyxor ETF share class and the 4 largest ETF share classes issued by other providers, representing market share of at least 5% on the relative index. ETF sizes are considered as an average of AUM levels observed over the relevant time period. Detailed methodology may be found in the paper ‘Measuring Performance of Exchange Traded Funds’ by Marlène Hassine and Thierry Roncalli. Past performance is not a reliable indicator of future results. Statements refer to European ETF market.
Morningstar US Large and Mid Cap

The lowest cost US equity ETF you can buy

Why now?
If you’re looking to maintain your US equity allocation - or even choose something more diverse - while reducing your cost, our Core Morningstar US ETF could help. It’s the lowest cost mainstream US equity exposure you can buy.

Why this product?
We’ve cut costs, not corners – which is why we’ve used a mainstream index brand investors know and trust. The ETF already comes with the lowest total cost for long-term strategic holders, and it will become more efficient for more tactical holders too as it grows. It’s also the lowest risk type of fund because it is physical and we don’t undertake any securities lending. Put simply, this is beta as it should be: simple, safe and low cost.

How does it compare?
The underlying index has delivered almost identical returns to the S&P 500 and MSCI USA over the last ten years – and it gives you exposure to more stocks too. Why pay more for less?

Index returns compared: Why pay more for less?¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Morningstar US Large-Mid TR USD</th>
<th>S&amp;P 500 TR USD</th>
<th>MSCI USA GR USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD</td>
<td>0%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>1 Year</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>3 Years</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>5 Years</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>10 Years</td>
<td>8%</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>15 Years</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Historic correlation with S&P 500 and MSCI USA³

99.9%

¹Source: Morningstar. Data as at 28/02/2018. Past performance is not a reliable indicator of future returns.
²Source: Morningstar. Data calculated using monthly returns in USD over a 15 year period as at 30/03/2018. Past performance is not a reliable indicator of future results.
Europe’s most established

Why now?
If you’re targeting a growth or capex-centric US equity allocation, or you’re simply wary of escalating trade tensions, the NASDAQ and its heavy weighting towards tech could be a solution.

Why this product?
With its track record of over 17 years, this is the oldest and most established ETF of its kind.

How does it compare?
What it lacks in size against its major rivals, it makes up for in terms of efficiency, quality of tracking and liquidity. Over the last year, it’s also been the most efficient.¹

¹Source for all data: Lyxor International Asset Management/Bloomberg, as at 31/08/2018. Data based over a one year period unless otherwise specified. Efficiency data is based on the efficiency indicator created by Lyxor’s research department in 2013. It examines 3 components of performance: tracking error, liquidity and spread purchase/sale. Each peer group includes the relevant Lyxor ETF share class and the 4 largest ETF share classes issued by other providers, representing market-share of at least 5% on the relative index. ETF sizes are considered as an average of AUM levels observed over the relevant time period. Detailed methodology may be found in the paper ‘Measuring Performance of Exchange Traded Funds’ by Marlène Hassine and Thierry Roncalli. Past performance is not a reliable indicator of future results. Statements refer to European ETF market.
FTSE USA Minimum Variance

Reducing risk more effectively

Why now?
If you’re interested in protecting more of what you have than reaching for the last of the upside, our USA Minimum Variance ETF could help.

Why this product?
Differences between rules, time spans of the various risk estimators and other constraints lead to strong discrepancies in pricing, sector exposure and diversification between minimum variance indices – but our ETF consistently comes out on top.

How does it compare?
Our innovative ETF has returned more, reduced risk by more and holds more stocks than other leading strategies on the market. It has also gathered more assets year to date than its peers.

After more than a decade, the results speak for themselves

<table>
<thead>
<tr>
<th></th>
<th>FTSE USA Min Var</th>
<th>S&amp;P 500 Min Var</th>
<th>MSCI USA Min Var</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annualised Excess Return</strong></td>
<td>1.74%</td>
<td>0.34%</td>
<td>0.78%</td>
</tr>
<tr>
<td><strong>Volatility Reduction</strong></td>
<td>20.8%</td>
<td>16%</td>
<td>17.5%</td>
</tr>
<tr>
<td><strong># stocks (March 2018)</strong></td>
<td>426</td>
<td>100</td>
<td>207</td>
</tr>
</tbody>
</table>

Source: Lyxor International Asset Management, Bloomberg. Data from 30/12/2006 to 29/03/18. Past performance is not a reliable indicator of future results.
Why choose Lyxor for US equity ETFs?

**Low cost**
Europe’s lowest cost core US equities at 0.04%¹

**Far reaching**
14 ways to access US equities, with €9bn in assets¹

**Dependable**
17 years’ experience in US equity ETFs, with some of the oldest funds in Europe¹

**Performance**
A consistent track record for high tracking quality and liquidity¹

**Innovative**
Unique US indices including Banks, Infrastructure, Growth, Value and Minimum Variance¹

¹Source for all data: Lyxor International Asset Management/Bloomberg, as at 31/08/2018. Statements refer to European ETF market. ‘Oldest funds in Europe’ refers to the Lyxor Dow Jones Industrial Average UCITS ETF and the Lyxor NASDAQ 100 UCITS ETF. Past performance is not a reliable indicator of future results.
24 ways to invest from 0.04%*

With fees from just 0.04%, you can’t beat Lyxor for low cost access to America’s broad equity or bond markets. Or if your plans are more specific, we have other routes to go that bit deeper. And with 17 years of experience, and €11bn* in assets, you know you are in expert hands.

The original pioneers
www.lyxoretf.com

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*Source: Lyxor International Asset Management. Data as of 31 August, 2018. Assets under management figure refers to all US equity and fixed income ETF exposures.
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 exchanged, or other market-maker systems; or an abnormal trading situation or event.
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Alternatively, some of the funds described in this document are sub-funds of Multi Units France a French SICAV incorporated under the French Law and approved by the French Autorité des marchés financiers. Each fund complies with the UCITS Directive (2009/65/CE), and has been approved by the French Autorité des marchés financiers.

Société Générale and Lyxor AM recommend that investors read carefully the “risk factors” section of the product’s prospectus and Key Investor Information Document (KIID). The prospectus and the KIID are available in French on the website of the AMF (www.amf-france.org). The prospectus in English and the KIID in the relevant local language (for all the countries referred to, in this document as a country in which a public offer of the product is authorised) are available free of charge on lyxoretf.com or upon request to client-services-etf@lyxor.com.

The products are the object of market-making contracts, the purpose of which is to ensure the liquidity of the products on NYSE Euronext Paris, Deutsche Boerse (Xetra) and the London Stock Exchange, assuming normal market conditions and normally functioning computer systems. Units of a specific UCITS ETF managed by an asset manager and purchased on the secondary market cannot usually be sold directly back to the asset manager itself. Investors must buy and sell units on a secondary market with assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying units and may receive less than the current net asset value when selling them.

Updated composition of the product’s investment portfolio is available on www.lyxoretf.com. In addition, the indicative net asset value is published on the Reuters and Bloomberg pages of the product, and might also be mentioned on the websites of the stock exchanges where the product is listed.

Prior to investing in the product, investors should seek independent financial, tax, accounting and legal advice. It is each investor’s responsibility to ascertain that it is authorised to subscribe, or invest into this product. This document together with the prospectus and/or more generally any information or documents with respect to or in connection with the Fund does not constitute an offer for sale or solicitation of an offer for sale in any jurisdiction (i) in which such offer or solicitation is not authorized, (ii) in which the person making such offer or solicitation is not qualified to do so, or (iii) to any person to whom it is unlawful to make such offer or solicitation. In addition, the shares are not registered under the U.S. Securities Act of 1933 and may not be directly or indirectly offered or sold in the United States (including its territories or possessions) or to or for the benefit of a U.S Person (being a “United State Person” within the meaning of Regulation S under the Securities Act of 1933 of the United States, as amended, and/or any person not included in the definition of “Non-United States Person” within the meaning of Section 4.7 (a) ((i) (ii) (vi)) of the rules of the U.S. Commodity Futures Trading Commission). No U.S. federal or state securities commission has reviewed or approved this document and more generally any documents with respect to or in connection with the Fund. Any representation to the contrary is a criminal offence.

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