

# LYXOR ETF FTSE RAFI EUROPE\*

(\*This is a synthetic ETF) (2806.HK)

Equity Country & Zone

July 2011

EXCHANGE TRADED FUNDS BY

# LYXOR

SOCIÉTÉ GÉNÉRALE GROUP

**IMPORTANT: INVESTMENTS INVOLVE RISKS. INVESTORS MAY SUSTAIN A TOTAL LOSS OF THEIR INVESTMENT IN THE LYXOR ETFs. INVESTORS SHOULD NOTE THAT:**

- Each Lyxor ETF is constituted as a fonds commun de placement under French law, and primarily regulated by the AMF, the French financial regulator, and is a form of contractual and unincorporated mutual fund. Holders may have limited rights compared with those available to holders of units of a unit trust constituted under the laws of Hong Kong in the manner more particularly described in the Section of this Prospectus entitled "Waivers granted by the SFC".
- Each Lyxor ETF's investment objective is to provide investment results that closely correspond to the performance of the relevant Underlying Index, increased, if applicable, by the potential dividends as may be distributed by the constituent stocks of the relevant Underlying Index and calculated net of any applicable tax.
- Certain markets represented by the relevant Underlying Indices, in particular, the developing markets, are subject to greater risks than other markets, the reason(s) for such greater risks in relation to such markets is/are more particularly described in the relevant Section(s) of Part 2 of the Prospectus.
- The value of any Lyxor ETF may be volatile and could go down substantially within a short period of time. It is possible that investors may lose some or the entire amount they have invested in the relevant Lyxor ETF.
- Each Lyxor ETF will not necessarily invest in shares or futures constituting the relevant Underlying Index, and instead adopts a "synthetic replication" investment strategy, pursuant to which the Manager has, on behalf of each Lyxor ETF and subject to a counterparty risk limit of 10% (in terms of mark-to-market value of the relevant index swap agreement) of the relevant Lyxor ETF's net assets, entered into an index swap agreement, a financial derivative instrument negotiated over-the-counter, with Société Générale, a licensed bank incorporated under the laws of France, and invests in a portfolio of listed shares which may not comprise the shares or the futures constituting the relevant Underlying Index. As a result, each Lyxor ETF is exposed to counterparty risk in that Société Générale may be unable to honour its commitments. Such risk is limited to 10% of a Lyxor ETF's net assets, subject to the fact that no passive non-compliance of such limit has occurred.
- The insolvency of Société Générale as the counterparty of each of the Lyxor ETFs under the relevant index swap agreement, or any relevant default(s) by Société Générale under the relevant index swap agreement, may lead to dealings in the Units of the relevant Lyxor ETF(s) being suspended, and the relevant Lyxor ETF(s) may even be terminated or suffer significant losses, depending on the then market value(s) of the portfolio(s) of listed shares held by the relevant Lyxor ETF(s) at the time of the insolvency and/or (as the case may be) at the time(s) of the relevant default(s) by Société Générale under the relevant index swap agreement(s).
- Conflicts of interest may arise as the Manager, the Custodian, the counterparty of the index swap agreement, the Market Maker, the Participating Dealer and the Hong Kong Representative all belong to the Société Générale Group.
- The Units of the Lyxor ETFs are traded on the SEHK. Their prices on the SEHK are based on secondary market trading factors and may deviate significantly from their net asset values.
- Prospective investors should take steps to ensure that they fully understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of their own objectives and circumstances, including the possible risks and benefits of entering into such transaction. Prospective investors should also consider seeking independent professional advice in making this assessment.

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## Exchange Traded Fund

### LYXOR ETF FTSE RAFI EUROPE\*

Lyxor ETF FTSE RAFI Europe offers investors a unique opportunity to gain instant exposure to European equity market through a well-established globally recognized index, representing:

- comprises all the constituents from each European country among the 1000 non US-listed companies with the highest coefficients corresponding to fundamental criteria (defined in relevant prospectus), selected from the constituents of the FTSE Developed ex US All Cap Index.
- with total market capitalization of USD 9.19 trillion as of end of July 2011 (Source: Bloomberg)

### Investment Objective

The Lyxor ETF seeks to track the performance of the FTSE RAFI EUROPE™ strategy index (the "Index"), increased by any potential dividend as may be distributed by the constituent stocks of such index, net of any applicable tax (the "Benchmark Index").

### Lyxor International Asset Management

May 31 2011

Lyxor International Asset Management ("Lyxor AM") is a wholly owned subsidiary of Lyxor Asset Management, which is in turn a subsidiary of Société Générale Group, both are management companies belonging to the Corporate and Investment Banking of Societe Generale group, manage together EUR 93.0 billion and are specialized on 3 businesses: Structured Alternative Investment, Structured Funds and Index Tracking.

## Performance

Source: Bloomberg and Lyxor AM, as of July 29 2011

	ETF*	Benchmark Index*
Annualized Yearly Performances		
YTD 2011	5.65%	6.39%
2010	1.34%	1.92%
2009	43.08%	44.15%

	ETF*	Benchmark Index*
Annualized Rolling Performances		
1 year	12.94%	13.64%
2 year	8.39%	8.85%
Since Inception	-6.58%	-6.13%

	ETF*	Benchmark Index*
Annualized Monthly Performances		
Jan-11	92.65%	93.78%
Feb-11	51.01%	51.91%
Mar-11	-17.17%	-16.49%
Apr-11	156.33%	157.68%
May-11	-39.43%	-39.00%
Jun-11	-20.71%	-20.06%
Jul-11	-48.88%	-47.24%
Aug-11	-	-
Sep-11	-	-
Oct-11	-	-
Nov-11	-	-
Dec-11	-	-

\* Benchmark Index: Price return plus dividend, net of tax.

ETF Performance: in NAV to NAV in USD, including dividend.



ETF Performance illustrated in the above chart is calculated based on NAV to NAV in USD, excluding dividend.

Past performance is not a reliable indicator of future performance.

## ETF Data

Strategy Index	FTSE RAFI EUROPE™
Legal Form	French Mutual Fund UCIT I & III compliant
Date of Establishment	24-Jan-07
Listing date (HKEX)	03-Jun-08
Currency	USD
Listing Currency	HKD
Minimum Investment	100 units
Management fees	0.6% p.a.
Dividends	Annual
NAV	6.26 USD
Asset Under Management	7.42 Million USD

Source: Lyxor AM As of July 29 2011

## Codes

HKEx Code	2806
ISIN	FR0010568857
Reuters	2806.HK
Bloomberg	2806 HK

## Index Data

Exposure	Europe
Assets	Equity Market
Number of components	515
Currency	EUR
Bloomberg	FREU
Reuters	.FTFREU

The FTSE RAFI EUROPE™ strategy index comprises all the constituents from each European country among the 1000 non US-listed companies with the highest coefficients corresponding to fundamental criteria (defined in relevant prospectus), selected from the constituents of the FTSE Developed ex US All Cap Index. The complete methodology for the construction of FTSE RAFI strategy indices is available for consultation on the FTSE web site: [www.ftse.com](http://www.ftse.com).

## Top holdings

Source: FTSE, as of July 29 2011

BP	Oil & Gas	3.02%
ING Group CVA	Insurance	2.50%
Vodafone Group	Telecommunications	2.26%
HSBC Hldgs	Banks	2.22%
Royal Dutch Shell A	Oil & Gas	2.21%
Total	Oil & Gas	2.13%
Royal Dutch Shell B	Oil & Gas	1.69%
Banco Santander	Banks	1.61%
Nestle	Food & Beverage	1.44%
GlaxoSmithKline	Health Care	1.38%

## Allocation

Source: FTSE, as of July 29 2011

### Top 10 Sectors

Banks	15.29%
Oil & Gas	13.00%
Insurance	10.27%
Telecommunications	8.97%
Industrial Goods & Servic	7.15%
Utilities	6.59%
Health Care	6.33%
Food & Beverage	4.55%
Retail	3.84%
Automobiles & Parts	3.83%

### Top 10 Countries

United Kingdom	30.28%
France	17.00%
Germany	13.98%
Switzerland	7.56%
Italy	6.93%
Spain	6.53%
Netherlands	6.04%
Sweden	4.39%
Finland	1.57%
Norway	1.41%

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The Holders do not grant any guarantee and do not make any commitment, whether explicit or implied, as to the income to be obtained by using the FTSE RAFI EUROPE™ strategy index (hereinafter the "Index") and/or the level at which the Index is positioned at any given moment or day or any other type. The Index is calculated by or on behalf of FTSE. The Holders shall not be held responsible (regardless of resulting from negligence or any other reason) for any error impacting the Index concerning whosoever and shall not be obliged to inform whosoever of any error impacting it.

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