



## A COMMITMENT TO PERFORMANCE, LIQUIDITY AND TRANSPARENCY

In its ETF Charter, Lyxor sets out a series of commitments to the investors in its exchange-traded funds. As a firm, Lyxor promises to meet and exceed a series of quality indicators in the key areas of performance, fund liquidity, counterparty risk and transparency. These commitments go above and beyond the minimum standards set by the European UCITS directive and its subordinated texts, including the ESMA guidelines published in December 2012.

### PERFORMANCE & TRACKING EFFICIENCY

- Competitive and transparent management fees (which include all ongoing charges paid by the fund, including custody fees and index licensing fees)
- Best execution: application of best execution principles to all derivative transactions
- If securities lending is used, all benefits (net of operational costs) accrue to the fund Competitive tracking difference, as measured by the difference between the performance of the ETF and the performance of the index
- In funds using synthetic replication: direct tracking of the index, without any statistical or sampling techniques
- In funds using physical replication, portfolio management techniques that aim to minimise tracking error
- In either case, Lyxor will aim to keep tracking error (computed as the annualised volatility of the difference of the performance between fund and index) below 100bp
- Publication of the effective tracking error in monthly client reports

### LIQUIDITY

#### Primary Market

- Dedicated website for authorised participants, allowing the electronic routing of creation and redemption orders
- Flexibility of creation and redemption process for authorised participants, through either delivery of cash (for all ETFs) or securities (for fixed income and most of the equity ETFs) or index futures (for equity ETFs)
- Daily liquidity at fund net asset value (NAV) for large subscriptions and redemptions by authorised participants
- Full transparency on creation and redemption costs

#### Secondary Market

- On-exchange liquidity provided by multiple market makers (currently 19)
- A wide network of authorised participants (currently 49)
- Continuous pricing (in normal market conditions) across multiple listings and in different currencies
- High levels of on-exchange liquidity to ensure low trading costs

### DISCIPLINED INVESTMENT PROCESS

- Regardless of the replication method, fund holders are the direct owners of the physical assets in each ETF
- Securities held by ETFs are in segregated accounts solely for the benefit of the fund
- No lending of securities when the fund uses synthetic replication
- Daily target of zero counterparty risk per ETF (well below the 10% limit set by UCITS regulations)

### TRANSPARENCY

- Daily publication on the website of all directly owned securities and of any collateral received following securities lending operations
- Daily publication on the website of all counterparties to all derivatives entered into by each Lyxor ETF
- Daily disclosure of counterparty risk for each fund
- Publication in the Key Investor Information Document of all ongoing charges received by the asset manager
- Value at Risk reporting to institutional investors upon request