



LYXORETF
1 Index. 1 Trade. 1 Provider.

LYXOR
ASSET MANAGEMENT

SOCIETE GENERALE GROUP

www.lyxoretf.co.uk

About Lyxor Asset Management. A European ETF market leader.

Lyxor Asset Management, a subsidiary of the Société Générale Group, manages over \$86 billion, of which \$28 billion is via ETFs. Lyxor has been active in the ETF market since 2001 and is a leader in Europe, boasting 26.4% ETF market share.

At the 2007 Annual ETF Global Awards®, Lyxor was named Europe's Most Recognised ETF Brand, Most Innovative ETF products and the Lyxor ETF DJ Euro Stoxx 50 was named the ETF that raised the most assets in 2006 in Europe, with growth of over \$1.5 billion in AUM.

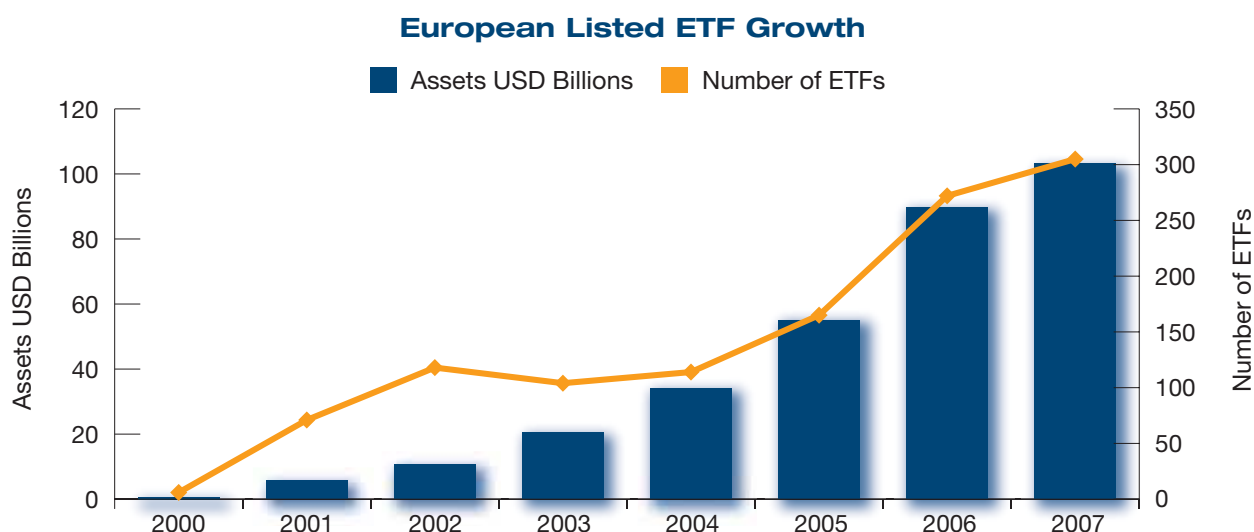
Europe's ETF Market.

Rapid and Sustainable Growth.



Fifteen years after the launch of the first Exchange Traded Fund (ETF) on the American Stock Exchange, and the subsequent successful development of the US ETF market, the European ETF market is today one of the fastest-growing segments of the European Asset Management Industry.

Just seven years after the introduction of Europe's first ETFs, there are now over 300 ETFs quoted on 16 European markets, with over \$100 billion in Assets Under Management as increasing numbers of investors, professional and private alike, take advantage of these flexible investment tools.



Source: Morgan Stanley Investment Strategies/Bloomberg, April 2007



Lyxor ETFs.

Portfolio building blocks.

What are Lyxor ETFs?

Lyxor ETFs are passively managed index tracking funds listed on leading stock exchanges around the world. They combine the liquidity benefits of exchange-listed securities and the diversification advantages of traditional mutual funds, providing valuable portfolio building blocks while meeting UCITS III regulatory standards.

Lyxor ETFs offer investors global exposure tailored to meet local needs, whether they seek to invest in established benchmarks, emerging market indices or alternative investment asset classes, including commodities and private equity.

Key benefits of Lyxor ETFs

Convenience

Lyxor ETFs provide investors with a convenient and efficient alternative to purchasing all of the underlying securities of a particular index.

Structured as a single security, traded on exchange just like a stock, ETFs empower investors to access entire indices and forego the hassle of index rebalancing or other corporate events, as well as the potential trading constraints linked to illiquid index component stocks.

What's more, Lyxor ETFs can be shorted or lent just like ordinary equities, and pay regular dividends to investors.

Cost-efficiency

Lyxor ETFs are a cost-effective way to achieve broad index exposure. The Total Expense Ratio ("TER") of Lyxor ETFs is all-inclusive and no other costs are deducted from the fund. Typically, the TER of Lyxor ETFs is considerably lower than that of traditional mutual funds.

Unlike traditional mutual funds, there are no front-end and back-end load fees. The trading and brokerage fees for trading Lyxor ETFs are the same as for any other listed security.

Lyxor ETFs: the diversity of an index, the ease of a stock.

Transparency

Every day, Lyxor makes available the basket of stocks upon which the performance of each Lyxor ETF is based. This is known as the “perfect basket” and is published on Reuters, Bloomberg and at www.lyxoretf.co.uk, along with the Net Asset Value (NAV) for one unit.

In addition, intra-day information on the indicative Net Asset Value (“iNAV”) is published by the relevant stock exchanges, enabling investors to maintain a regular update on the progress of their investment and to compare with the bid/offer in the market.

Liquidity

Designated market-makers offer real-time, two-way prices on Lyxor ETFs with tight spreads.

An arbitrage band is created around each ETF’s NAV by arbitrageurs and other traders who can profit from any discrepancy between the ETF trade and the equivalent trade using stock basket or futures. This ensures that the ETF’s price never varies significantly from its NAV.



Low tracking error

Lyxor ETFs track their benchmark market indices very closely – typically, tracking error is close to zero and correlation with the index is very high, giving investors one-step access to market performance.

Dividend payment

In contrast to futures contracts, Lyxor ETFs can pay regular dividends, just like ordinary equities.

Investors should refer to the product list, the individual fund fact sheet or the prospectus for the relevant ETF to find out whether a dividend is payable and, if so, how many times a year.

Lyxor ETFs may be shorted or lent and may pay regular dividends

The creation/redemption process.

The unique ETF unit creation/redemption process is central to understanding the trading mechanics and underlying liquidity of the ETF market. This process is continuous and ensures that the ETF units' market price trades in line with the net asset value of the fund. Unlike traditional shares, supply of and demand for the ETF units do not necessarily affect their market price.

How it works

Major financial institutions, known as Authorised Participants, can create ETF units in one of two ways.

The Authorised Participant can:

- 1 Deposit a basket of stocks with the ETF provider (Lyxor AM) in exchange for an institutional block of Lyxor ETF units, known as creation units. This is commonly known as "in specie creation".

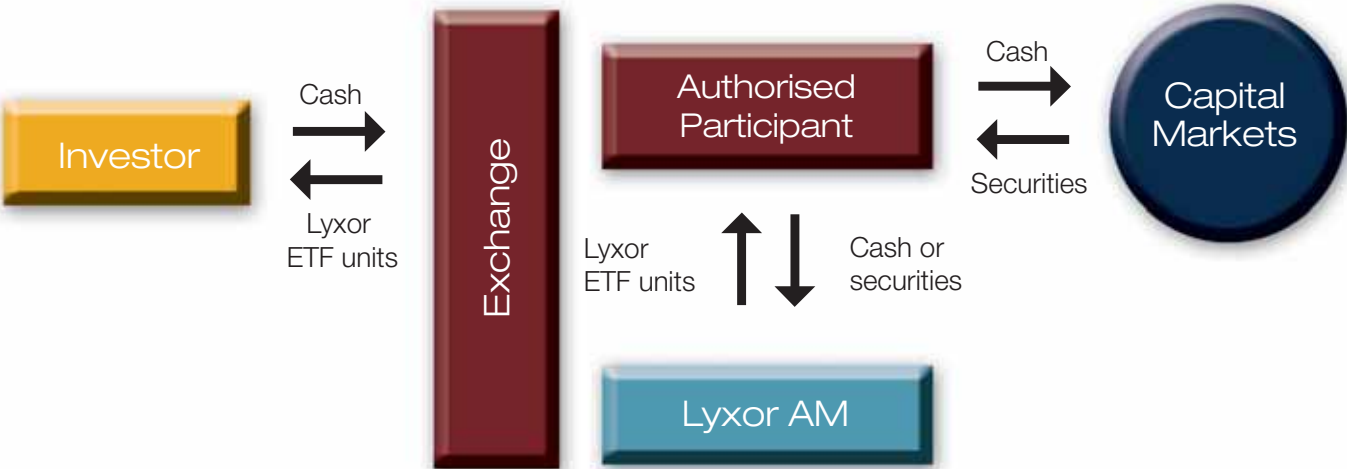
OR

- 2 Deliver cash to the ETF provider in exchange for a creation unit. This process is usually referred to as "cash creation".

Conversely, to redeem ETF units, an Authorised Participant can deliver the ETF to the ETF provider and receive either the underlying stocks or cash.



Lyxor ETF Creation Process



Lyxor ETF Strategies.



The hallmark of Lyxor ETFs is flexibility. Investors can use them to implement a wide range of investment strategies, such as attaining or hedging exposure to a given market, sector or asset class – regardless of the investment horizon – from short-term cash equitisation to longer-term investment strategies.

Diversified investment exposure and reduced risk – putting theory into practice

ETFs are revolutionising the investment management landscape. Over 50 years ago, the academic Harry M. Markowitz pioneered the powerful concept of portfolio diversification, resulting in what we today refer to as the Modern Portfolio Theory (“MPT”). In short, MPT concludes that rational investors should always optimise the risk and reward characteristics of their investment portfolios. Investors may do this by eliminating individual security risks in favour of more efficient overall market risk premiums, in other words, implementing portfolio diversification.

With Lyxor ETFs, portfolio diversification is easy and cost-effective. Lyxor ETFs provide virtually exact index (market) tracking in a cost-effective manner when compared to traditional mutual funds. Through Lyxor’s range of over 75 ETFs, investors can gain market exposure to single countries, geographic regions, individual sectors, or even different asset classes.



The hallmark of Lyxor ETFs is flexibility.

An alternative to derivatives

Unlike futures, Lyxor ETFs can be bought in small lots (as little as one share), and do not require any complex documentation, as ETFs are not derivatives.

What's more, Lyxor ETF investors do not have to worry about rolling positions or margin needs. Perhaps most importantly, ETFs track many indices on which futures contracts are not available.

Risk management

Lyxor ETFs can be used to reduce volatility and temporarily hedge a portfolio against unfavourable moves in the benchmark index, as they can be shorted. This is particularly useful for indices on which no futures contracts exist.

In the fixed income space, Lyxor ETFs can be used to quickly adjust the duration of fixed income strategies.



Next steps

For more information

Simply speak to your Financial Adviser, visit www.lyxoretf.co.uk or email info@lyxoretf.co.uk for more information. Full prospectuses for Lyxor ETFs are available on demand at the above website.

Obtaining live market prices

Live prices for the entire Lyxor ETF product range can be accessed via market data providers, through Bloomberg terminals at LYXOR <GO> or via Reuters at MASTERSFR

Delayed prices are available via the internet at www.lyxoretf.co.uk or via the relevant stock exchange websites.

Net Asset Value (NAV)

The NAV of Lyxor ETFs is shown on www.lyxoretf.co.uk as well as the composition of the perfect basket to which the performance of the ETFs is linked.

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