New Reduced TER from September 2020

Nasdaq 100

The unique performance edge of synthetic replication

At Lyxor, our goal is to help you make the best of your investments. Performance is central to every aspect of how our ETFs are managed, particularly when it comes to replication method. By design, our Nasdaq 100 ETF can offer a unique performance edge over its physical peers.

Why we favour synthetic replication

- If you hold a physical US equity ETF domiciled outside the US, the dividends paid to the fund are generally subject to withholding tax.
- For derivatives or securities that reference dividend paid by US stocks, Section 871(m) of the US Internal Revenue Code applies WHT to dividend equivalent amounts received by non-US persons.
- However, a derivative with respect to a "qualified index" such as the Nasdaq 100 is out of scope of 871(m)
- This means that synthetic ETFs domiciled outside the US tracking qualified indices can receive dividends gross rather than net of the 30% WHT (or lower treaty rate) after costs.

1Yr forward-looking performance vs. the three largest Nasdaq 100 physical ETFs[2]

Name	Fund type	TER	Swap/ dividend improv. vs NTR	Expected 1yr Perf vs NTR
Lyxor Nasdaq 100 UCITS ETF	**Synthetic**	**0.22%**	**0.20%**	**-0.02%**
Competitor 1	Physical	0.33%	0.12%	-0.21%
Competitor 2	Physical	0.30%	0.12%	-0.18%
Competitor 3	Physical	0.31%	0.00%	-0.31%

[2]Source: Lyxor International Asset Management, as at 24/09/2020. TER correct as at 24/09/2020. Statements about Lyxor credentials vs. peers refer to the European UCITS ETF market only. For illustrative purposes only. The expected forward-looking performance is an estimation based on current swap spread and the fund's TER. The realised performance may differ from the expect performance should one of these parameters change in the future. Past performance is not a reliable indicator of future returns.

What you need to know

Index and fund details	
Index name	NASDAQ-100 Notional Net Total Return Index
Index Bloomberg ticker	XNDXNNR
Index Currency	USD
Number of holdings	103
Index dividend yield	0.72%
ETF name	Lyxor Nasdaq-100 UCITS ETF
ETF Bloomberg tickers	UST, LYST, NASD
Fund Inception date	07/09/2001
Listing currencies	USD, EUR, GBP
TER	0.22%

Source: Lyxor International Asset Management, Bloomberg. Index and fund data as at 30/09/2020.

3 reasons to consider our ETF

Innovative

Synthetic replication can offer more stable returns, along with outperformance due to better tax treatment of dividends

High performing

The best expected forward -looking performance[2]

Low cost

The lowest TER vs. peers at only 0.22%

The obtaining of the tax advantage or treatments mentioned in this document (as the case may be) depends on each investor's particular tax status, the jurisdiction from which it invests as well as applicable laws. This tax treatment can be modified at any time. We recommend to investors who wish to obtain further information on their tax status that they seek assistance from their tax advisor.

[1]All else equal and assuming 15% withholding tax in Ireland and an index dividend yield of 0.7%.

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How synthetic ETFs work

While synthetic ETFs are perceived as more complex than physical funds, sometimes the additional performance delivered more than justifies using them in client portfolios. This is particularly true for the Lyxor Nasdaq 100 ETF.

Perceived vs. actual risk

Synthetic ETFs contain a degree of counterparty risk, but some physical ETFs engage in securities lending to boost performance, meaning they too are exposed.

Over the 12 months to September 2020, for just one basis point of additional performance, a major provider lent out as much as 8% of its physical Nasdaq 100 ETF's AuM, posting collateral as varied as EM equities, bonds and even its own ETFs![3].

Robust risk management

At Lyxor, we target 0% counterparty risk: whenever the counterpart (in this case: Societe Generale) owes the fund any positive value, this amount is paid out in cash which the ETF uses to buy more securities in the substitute basket, and the swap value is reset to zero overnight.

Eligible securities for the substitute basket are international blue chip stocks which must adhere to strict UCITS guidelines on diversification, quality, size and liquidity.

Information around Lyxor swap counterparties, substitute basket values and historic counterparty risk levels are available daily on our website, www.lyxoretf.com (see tables below).

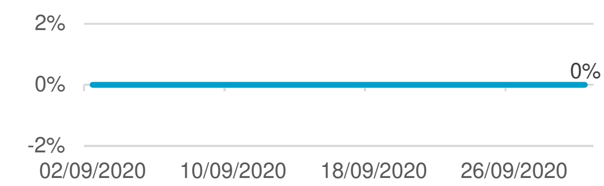
In the unlikely event that the swap counterparty defaults, the ETF portfolio managers have a choice of either appointing an alternative swap counterparty, changing the fund to physical replication, or liquidating the substitute basket and returning the proceeds to the ETF holders.

Top 10 Fund holdings

Name	Currency	Weight	Sector
MICROSOFT CORP	USD	8.97%	Inf. Technology
NVIDIA CORP	USD	8.29%	Inf. Technology
ADOBE INC	USD	8.16%	Inf. Technology
ORACLE CORP	USD	5.74%	Inf. Technology
WALT DISNEY CO/THE	USD	4.89%	Com. Services
AMAZON.COM INC	USD	4.59%	Cons. Disc.
Apple Inc	USD	4.31%	Inf. Technology
NextEra Energy Inc	USD	3.52%	Utilities
NORFOLK SOUTHERN CORP	USD	3.52%	Industrials
BOEING CO/THE	USD	3.40%	Industrials

Source: Lyxor International Asset Management, Bloomberg. Data as at 24/09/2020.

4 week moving average of counterparty risk level



From 1 March 2017, the European Market Infrastructure Regulation ("EMIR") requires certain EU Counterparties, including undertakings for collective investment in transferable securities ("UCITS"), to put in place risk mitigation procedures prior to entering into OTC derivatives trades.

This regulation obliges both parties to a swap transaction to exchange collateral in order to reduce any counterparty exposure to zero allowing for a minimum transfer amount of €500,000.

What's the difference anyway?

Physically replicated ETFs purchase all (or a representative subset) of the index holdings to mirror its return, while synthetic ETFs buy a substitute basket of physical assets and instead provide the index return through a financial transaction with a counterparty called a 'performance swap'.

The main difference between physical and synthetic replication is one of function: physical replication relies on the assets to deliver performance, while synthetic replication uses them for safety.

[3]Source: iShares website, collateral holdings 12 months lending summary of the iShares NASDAQ 100 UCITS ETF USD as at 29/09/2020

Why Lyxor for Nasdaq 100?

Innovative
Synthetic replication can offer more stable returns, and outperformance due to better tax treatment of dividends

High performing
The best expected forward looking performance[2]

Low cost
The lowest TER vs. peers at only 0.22%[2]

Transparent
Robust risk management policies with daily transparency around swap counterparty exposure and fund holdings

Accomplished
The largest synthetic Nasdaq 100 ETF in Europe with €1.3bn AuM[2]

[2]Source: Lyxor International Asset Management, as at 24/09/2020. TER correct as at 30/09/2020. Statements about Lyxor credentials vs. peers refer to the European UCITS ETF market only. The expected forward-looking performance is an estimation based on current swap spread and the fund's TER. The realised performance may differ from the expect performance should one of these parameters change in the future. Past performance is not a reliable indicator of future returns.

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Knowing your risk

It is important for potential investors to evaluate the 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 Societe Generale. 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

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 Societe Generale. 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.

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