LYXOR INTERNATIONAL ASSET MANAGEMENT (LIAM)

# LYXOR BRAZIL (IBOVESPA) UCITS ETF

rapport annuel

FONDS COMMUN DE PLACEMENT - FCP DE DROIT FRANÇAIS

FISCAL YEAR ENDING ON: 31.08.2017

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|---|---|
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| **Depository and Custodian** | SOCIÉTÉ GÉNÉRALE<br>75886 Paris Cedex 18. |
| **Underwriters** | SOCIÉTÉ GÉNÉRALE<br>75886 Paris Cedex 18. |
| **Auditors** | PRICEWATERHOUSE COOPERS AUDIT<br>63, rue de Villiers - 92208 Neuilly-sur-Seine Cedex. |

# INFORMATION ON THE INVESTMENTS AND MANAGEMENT

**Classification:**

International equities.

At least 60% of the MF is permanently exposed in a foreign equity market or in equity markets of several countries, possibly including the French market. The MF is an index-based fund of the UCITS ETF type.

**Terms of determination and allocation of amounts available for distribution:**

**Class of units C-EUR:** Capitalisation of all the amounts available for distribution.

**Class of units USD:** The management company reserves the right to capitalise and/or distribute all or part of the amounts available for distribution, one or more times each year.

**Management objective:**

The MF's management objective is to obtain an exposure to the Brazilian equity market while reproducing the evolution of the IBOVESPA Total Return index ("the Benchmark Indicator"), listed in Brazilian reals (BRL), while insofar as possible minimising the tracking error between the MF's performances and those of the Benchmark Indicator.

The anticipated level of the ex-post tracking error under normal market conditions is 0.1%.

**Benchmark indicator:**

The Benchmark Indicator is the IBOVESPA Total Return index (gross dividends reinvested).

The Benchmark Indicator is an equity index calculated, maintained and published by BOVESPA (Sao Paolo Stock Exchange).

The Benchmark Indicator is one of the main Brazilian equity indices. It is one of the most liquid indices on the Sao Paulo Stock Exchange. It is comprised exclusively of Brazilian securities and was created in 1968. For information, it was made up of 55 securities in November 2006.

Each security's weighting is determined on the basis of a liquidity coefficient determined according to the volume handled with this security (i.e. according to the number of orders carried out on the stock exchange and their financial value). The liquidity coefficient is calculated based on an analysis of precise eligibility criteria observed for each security over a period of 12 months.

The Benchmark Indicator is analysed and rebalanced every four months (end April, August and December). The BOVESPA methodology and its calculation method entail the index being made up of a variable number of companies.

In liquidity terms, the Benchmark Indicator represents more than 80% of the number of transactions and of the financial value handled on the cash market of the BOVESPA (Sao Paolo Stock Exchange). In terms of market capitalisation, the Benchmark Indicator represents approximately 70% of its reference market's market capitalisation.

The monitored performance is that of the closing prices of the index.

An exhaustive description and the complete methodology for the construction of the Benchmark Indicator as well as information on the composition and relative weights of the Benchmark Indicator's components are available on the Internet site: http://www.bmfbovespa.com.br/indices/ResumoIndice.aspx?Indice=Ibovespa&Idioma=en-US

**Benchmark Indicator revision and composition**

The Benchmark Indicator is rebalanced quarterly.

The exact composition and the rules of revision of the Benchmark Indicator are published by BOVESPA and are available on the Internet site: www.bovespa.com.br

The rebalancing frequency indicated above does not affect the cost of implementing the Investment strategy.

**Benchmark Indicator publication**

The Benchmark Indicator is calculated on a daily basis at closing prices using the official closing prices of the exchanges where the constituent stocks are listed. The Benchmark indicator is also calculated in real time every stock exchange trading day.

The Benchmark Indicator is available in real time via Reuters and Bloomberg.

Reuters code: .BVSP

Bloomberg code: IBOV

The Benchmark Indicator's closing price is available on the BOVESPA Internet site: www.bovespa.com.br.

**Investment strategy:**

**1. Strategy employed**

The MF will comply with the investment rules dictated by the European Directive no. 2009/65/EC dated 13 July 2009.

In pursuit of the greatest possible correlation with the performance of the Benchmark Indicator, the MF will achieve its management objective using the indirect replication method which means that it will enter into one or more OTC swap contracts enabling it to achieve its investment objective. The objective of these swap contracts will be to exchange (i) the value of the MF's assets, which will consist of balance sheet assets (excluding any securities received as guarantees), for (ii) the value of the securities that underlie the Benchmark Indicator.

The securities held as assets by the MF may notably be securities that make up the Benchmark Indicator, as well as other international equities, from all economic sectors, listed on all markets, including the small caps markets.

The basket of assets held may be adjusted daily such that its value will generally be at least 100% of the net assets. When necessary, this adjustment will be made to ensure that the counterparty risk arising from the aforementioned swap contract will be entirely neutralized.

Information relative to (i) the updated composition of the basket of the balance sheet assets held in the MF's portfolio and (ii) the market value of the future exchange operation entered into by the MF are available on the page dedicated to the MF on the Internet site www.lyxoretf.com. The update frequency and/or the update date of the aforesaid information is also indicated on the same page of the aforesaid Internet site.

As part of the management of its exposure, the MF may be exposed up to 20% of its assets in equities from a single issuing entity. This 20% limit can be increased to 35% for a single issuing entity when this proves to be justified by exceptional conditions within the market, notably when certain securities are heavily dominant and/or in the event of high volatility of a financial instrument and of securities from an economic sector represented by the Benchmark Indicator, in particular in the event of a public offering affecting one of the securities making up the Benchmark Indicator or in the event of a significant restriction of liquidity affecting one or more financial instruments making up the Benchmark Indicator.

In the present case, the manager intends to primarily use the following assets:

**2. Balance sheet assets (excluding integrated derivatives)**

The MF may hold, in compliance with the ratios contained in the regulation, international equities (from all economic sectors, listed on all markets), including within the small cap markets.

The aforementioned equities will be chosen on the basis of criteria:

- of eligibility, in particular:

o Subordination to the main market indices or to the Benchmark Indicator,

o Liquidity (minimal thresholds applied to mean daily volumes of transactions and to the equity market capitalisation),

o Rating of the country of the issuer's head office (requirement of a minimal threshold in S&P rating or equivalent).

- of diversification, notably:

o Issuer (application of ratios applicable to the eligible assets of a UCITS, as specified in Art. R214-21 of the [French] Monetary and Financial Code),

o Geographical area,

o Sector.

For more information on the abovementioned eligibility and diversification criteria, in particular the list of the eligible indices, investors can visit the following Internet site: www.lyxoretf.com.

The investment in undertakings for collective investment in transferable securities ("UCITS") that comply with Directive 2009/65/EC is limited to 10% of the net assets. The manager will not invest in units or equities of AIF or other investment funds established on the basis of foreign laws.

When the MF receives securities as guarantee under the conditions and limits of this section's paragraph 8 below, they will also constitute balance sheet assets received in full ownership by the MF, given that they are received by the MF in full ownership.

As part of the future optimisation of the MF's management, the manager reserves the right to use other instruments within the limits of the regulations in order to achieve the management objective.

**3. Off-balance sheet assets (derivative instruments)**

The MF will have recourse to index-linked swaps traded over-the-counter, exchanging the value in the MF's assets (or of any other asset held by the MF, where appropriate) against the value of the Benchmark Indicator (in compliance with the description contained in this section's paragraph 1 above).

As part of a future optimisation of the MF management, the manager reserves the right to use other instruments within the limits of the regulations, such as to achieve the management objective, for example including forward financial instruments other than index-linked swaps.

In compliance with its best execution policy, the management company considers that the Société Générale is the counterparty that generally makes it possible to obtain the best possible result with these future financial instruments. These future financial instruments (including index-linked swaps) can therefore be traded with the Société Générale, without prior open competition involving several counterparties.

The counterparty of the aforesaid future financial instruments (the "Counterparty") will have no discretionary power regarding the composition of the MF's investment portfolio, nor regarding the underlying assets of the future financial instruments.

**4. Securities with integrated derivatives**

None.

**5. Deposits**

Up to a maximum of 20% of its net assets, the MF can have recourse to deposits with credit institutions belonging to the same group as the depositary in order to optimise its cash management.

**6. Cash borrowings**

Up to a maximum of 10% of its net assets, the MF may temporarily have recourse to borrowings.

**7. Temporary securities acquisition and sale operations**

None. The manager will not have recourse to temporary securities acquisition and/or sale operations.

**8. Financial guarantees**

In all cases in which the MF is subject to a counterparty risk as a result of the deployed investment strategy, notably in the event of the MF's use of forward swap contracts traded over the counter, the MF can receive securities that are considered as guarantees in order to reduce the counterparty risk related to these operations. The portfolio of received guarantees can be adjusted each day in order for its value to be greater than or equal to the level of the counterparty risk borne by the MF in most cases. The objective of this adjustment will be to ensure that the level of counterparty risk borne by the MF is totally neutralized.

Any financial guarantee received by the MF will be provided to the MF in full ownership and listed in the MF's account opened in the books of its depositary. As such, the received financial guarantees will be listed amongst the MF's assets.

Any financial guarantee received by the MF within this framework must comply with the criteria defined by the prevailing laws and regulations, notably in terms of liquidity, valuation, credit quality of the issuers, correlation, risks related to the management of securities, and applicability. The received guarantees must, in particular, comply with the following conditions:

(a) Any received guarantee must be of high quality, very liquid and traded on a regulated market or in a multilateral trading system with transparent pricing, in order to be sold quickly at a price close to the prior valuation;

(b) They must be valued at the mark-to-market price at least on a daily basis and assets showing strong price volatility must not be accepted as a guarantee except in case of the application of a sufficiently cautious discount;

(c) They must be issued by an entity that is independent of the counterparty and must not be highly correlated with the counterparty's performances;

(d) They must be sufficiently diversified in terms of countries, markets and issuers, with a maximum exposure per issuer of 20% of the MF's net asset value;

(e) The MF's Management Company must be able to fully realise them at any time, without consultation with the counterparty nor approval of the latter.

Notwithstanding the condition specified in (d) above, the MF may receive a basket of financial guarantees with an exposure to a single issuer corresponding to more than 20% of its net asset value provided that:

such received financial guarantees are issued by (i) a Member State, (ii) one or more of a Member State's local authorities, (iii) a country that is not a Member State (iv) a public international organization to which one or more Member States belong; and

such financial guarantees consists of at least six different issues of which none exceeds 30% of the MF's assets.

In compliance with the aforesaid conditions, the guarantees received by the MF can include:

(i) Liquid assets or equivalents, notably including short-term bank assets and money market instruments;

(ii) Bonds issued or guaranteed by an OECD Member State, by its local public authorities or by supranational institutions and bodies of a Community, regional or worldwide nature, or by any other country, provided that conditions (a) to (e) (above) have been fully met;

(iii) Equities or units issued by money market funds that calculate a daily net asset value and that have a rating of AAA or equivalent;

(iv) Equities or units issued by UCITS investing primarily in bonds/equities as indicated in points (v) and (vi) below;

(v) Bonds issued or guaranteed by first-class issuers, offering suitable liquidity;

(vi) Equities admitted to trading or traded on a regulated market of an EU Member State, on a stock market of an OECD Member State or on a stock market of another country provided that conditions (a) to (e) (above) have been fully met and that these equities are included within a first-class index.

**Policy related to discounts:**

The MF's management company will apply a margin to the financial guarantees received by the MF. The applied margins will notably depend on the following criteria:

- Nature of the asset received as guarantee;

- Maturity of the asset received as guarantee (if applicable);

- Rating of the issuer of the asset received as guarantee (if applicable).

**Reinvestment of received guarantees:**

Financial guarantees received in a non-cash form shall not be sold, reinvested or pledged. Guarantees received in cash shall, at the discretion of the manager, be either:

(i) deposited with an enabled institution;

(ii) invested in high-quality State bonds;

(iii) used for reverse repurchase transactions, on the condition that such transactions are performed with credit institutions which are subject to prudential regulation and on the condition that the UCITS may at any time withdraw the total amount of the liquidity, taking into account accrued interest;

(iv) invested in short-term money mutual funds, as they are defined in the guidelines for a common definition of European money mutual funds.

Reinvested cash financial guarantees must be diversified, in compliance with the applicable requirements for non-cash financial guarantees.

**Risk profile:**

The bearer's money will primarily be invested in financial instruments selected by the management company. These instruments will be subject to the vagaries of the markets. Through the MF, the bearer is primarily exposed to the following risks:

**- Equity risk**

An equity price can vary upwards or downwards, and it notably reflects the changing risks related to the issuing company or the economic situation of the corresponding market. The equity markets are more volatile than the rate markets, in which it is possible, over a given period and with equal macroeconomic conditions, to estimate the incomes.

**- Risk related to low diversification of the Benchmark Indicator**

The Benchmark Indicator to which the investors are exposed covers a given region, sector or strategy and therefore does not necessarily allow for as broad a diversification of the assets as would be the case of an index that is exposed to several regions, sectors or strategies. The exposure to such an index with such low diversification can result in greater volatility than in more diversified markets. Nevertheless, the diversification rules resulting from the UCITS standards always apply to the MF's underlyings.

**- Capital loss risk**

The invested capital is not guaranteed. The investor consequently runs the risk of capital loss. The entire or part of the invested amount may not be recovered, notably should the performance of the Benchmark Indicator be negative over the investment period.

**- Liquidity risk (primary market)**

If, when the MF (or one of its counterparties for future financial instrument ("FFI")) adjust its exposure, the markets related to this exposure are then limited, closed or subject to significant purchase/sale price discrepancies, the value and/or liquidity of the MF could be negatively affected. Should low volumes of exchanges result in an inability to carry out transactions linked to the replication of the Benchmark Indicator, this can also have consequences on the processes related to the subscription, conversion or redemption of units.

**- Liquidity risk on a place of listing**

The MF's equity price can deviate from its indicative net asset value. The liquidity of the MF's units on a place of listing can be affected by any suspension, that could notably be due to:

i) Suspension or stoppage of the calculation of the Benchmark Indicator, and/or

ii) Suspension of the market(s) of the underlyings used by the Benchmark Indicator, and/or

iii) The impossibility for a given place of listing to obtain or calculate the MF's indicative net asset value, and/or

iv) A market maker's violation of the rules applicable to this marketplace, and/or

v) A failure of this marketplace's IT or electronic systems.

**- Counterparty risk**

The MF is exposed to the risk of bankruptcy, payment default or any other type of default of any counterparty with which it has entered into a contract or transaction. It is particularly exposed to the counterparty risk resulting from its use of future financial instrument ("FFI") traded over-the-counter with Société Générale or with any other counterparty. In compliance with the UCITS regulations, the counterparty risk (whether this counterparty is the Société Générale or any other entity) cannot exceed 10% of the total value of the MF's assets per counterparty.

In case of a Counterparty's default, the contract relating to FFIs can be terminated early. The MF will then make every effort to achieve its management objective by signing, if relevant, another contract relating to FFIs with a third party counterparty, under the market conditions prevailing at the time of the occurrence of this event.

The realisation of this risk can notably have impacts on the MF's ability to achieve its management objective, in particular the replication of the Benchmark Indicator.

When Société Générale is involved as a counterparty of the FFIs, conflicts of interest can arise between the MF's Management Company and the FFI's counterparty. The Management Company manages these conflict of interest risks by setting up procedures intended to identify and limit them, and to ensure their equitable resolution, if relevant.

**- Risk related to the exposure to Emerging markets**

The MF's exposure to emerging markets results in a greater risk of loss that would exist in the event of investments carried out within traditional developed markets. In particular, the operating and supervision rules in an emerging market may differ from the standards applicable to developed markets. The exposure to emerging markets notably results in: increased volatility of the markets, lower transaction volumes, the risk of economic and/or political instability, an unstable or uncertain fiscal and/or regulatory regime, risks of closing of the markets, of government restrictions on foreign investments, and interruption or restriction of the convertibility or transferability of any of the currencies comprising the Benchmark Indicator.

**- Legal risk**

The MF may bear a legal risk related to the conclusion of any Total Return Swap contract (TRS) as laid down in Regulation (EU) 2015/2365.

**- Risk that the management objective may only be partially achieved**

Nothing guarantees that the management objective will be achieved. Indeed, no asset or financial instrument will allow an automatic and continuous replication of the Benchmark Indicator, notably should one or more of the following risks arise:

- Risk related to the use of derivative instruments

In order to achieve its investment objective, the MF uses future financial instrument ("FFI") traded over-the-counter, that can notably take the form of swap contracts that will allow it to obtain the performance of the Benchmark Indicator. These FFIs can result in a series of risks on the level of the FFIs that notably include: counterparty risk, event affecting the hedging, event affecting the Benchmark Indicator, risk related to the tax regime, risk related to the regulations, operational risk and liquidity risk. These risks can directly affect a FFI and can result in the adjustment or early termination of the FFI transaction, which could affect the MF's net asset value.

- Risk related to a change of the tax regime

Any change to the tax legislation in any of the countries in which the MF is established, authorised for marketing or listed can affect the tax treatment of investors. In this case, the MF's manager assumes no liability relative to investors with regard to the payments having to be made to any competent tax authority.

- Risk related to a change of the tax regime affecting the underlyings

Any change of the tax legislation applicable to the MF's underlyings can affect the MF's tax treatment. Consequently, in case of divergence between the anticipated tax treatment and the one actually applied to the MF (and/or to its counterparty in the FFI), the MF's net asset value may be affected.

- Risk related to regulations

In case of change of the regulations in any country in which the MF is established, authorised for marketing or listed, the processes for the subscription, conversion and redemption of units may be affected.

- Risk related to the regulations applicable to the underlyings

In case of change of the regulations applicable to the MF's underlyings, the MF's net asset value can be affected, as can the processes for the subscription, conversion and redemption of units.

- Risk related to events affecting the Benchmark Indicator

In case of events affecting the Benchmark Indicator, the manager may, under the conditions and limits of the applicable legislation, have to suspend the subscription and redemption of MF units. The calculation of the MF's net asset value can also be affected.
If the event persists, the MF's manager will decide on measures having to be adopted, which can have an impact on the MF's net asset value. "Events affecting the Benchmark Indicator" are understood to mean the following situations:

i) The Benchmark Indicator is considered to be incorrect or not reflective of the market's actual evolution,

ii) The Benchmark Indicator is definitively discontinued by its supplier,

iii) The supplier of the index is incapable of providing the level or value of the said Benchmark Indicator,

iv) The supplier of the Benchmark Indicator makes a significant change to the formula or calculation method of the Benchmark Indicator (other than a minor modification such as the adjustment of the underlyings of this Benchmark Indicator or of the respective weightings between its various components), that cannot be effectively replicated by the MF at a reasonable cost.

v) One or more components of the Benchmark Indicator becomes non-liquid, with the listing being suspended on an organised market, or components traded over-the-counter (such as bonds, for example) become non-liquid,

vi) The Benchmark Indicator's components are impacted by transaction fees relative to the execution, delivery versus payment or specific fiscal constraints, without these fees being reflected in the Benchmark Indicator's performance.

- Securities transaction risk

Should the issuer of a security underlying the Benchmark Indicator undertake an unanticipated review of a securities transaction ("ST"), that contradicts a prior and official announcement that had resulted in a valuation of the ST by the MF (and/or in a valuation of the ST by the MF's counterparty in a future financial instrument), the MF's net asset value may be affected, notably should the actual treatment of the ST by the MF differ from the ST's treatment in the methodology used by the Benchmark Indicator.

- Exchange risk linked to the C-EUR (EUR/BRL) unit classes

The aforesaid unit class is exposed to an exchange risk given that it is listed in a currency other than that of the Benchmark Indicator. Consequently, the net asset value of the aforesaid unit class can decline despite an increase of the value of the Benchmark Indicator, as a result of exchange rate fluctuations.

- Exchange risk linked to the USD (USD/BRL) unit classes

The abovementioned classes of units are exposed to an exchange risk to the extent that they are listed in a currency other than that of the Benchmark Indicator. Consequently, the net asset value of the aforesaid unit classes can decline despite an increase of the value of the Benchmark Indicator, as a result of exchange rate fluctuations.

**Subscribers concerned and typical investor profile:**

The MF is open to any subscriber.

An investor subscribing to this MF wishes to obtain an exposure to the Brazilian equity market.

The amount that it is reasonable to invest in this MF depends on your personal situation. To determine this amount, you must take into account your personal wealth and/or estate, cash requirements at the present and for five years, but also your desire to take risks or, on the contrary, to prefer a cautious investment. It is also highly recommended to sufficiently diversify one's investments so as to avoid an exposure only to this MF's risks.

Investors are therefore recommended to study their individual situations with their usual estate management advisers. The minimum recommended investment term is greater than 5 years.

**Indications on the tax treatment:**

Investors should take note that the following information constitutes only a general summary of the tax regime applicable to an investment in a French MF, under the current French tax legislation. Investors are therefore requested to study their personal situations with their usual tax advisers.

**France:**

The MF can serve as the support for a life insurance contract listed in units of account.

**1. On the level of the MF**

In France, the co-ownership status of MFs means that they are automatically exempt from corporate tax; by nature, they therefore benefit from a certain degree of transparency. As such, the incomes collected and generated by the MF through its management are not taxable at the level of the MF itself.

Abroad (in countries in which the MF is invested), capital gains on the sale of foreign transferable securities and foreign income received by the MF as part of its management may, if relevant, be subject to tax (generally in the form of a withholding tax). In certain limited cases, the foreign taxation can be reduced or cancelled in the presence of tax agreements that may be applicable.

**2. On the level of the bearers of MF units**

2.1 Bearers residing in France

The sums distributed by the MF to French residents as well as the capital gains or losses on transferable securities are subject to the applicable taxation. Investors are invited to study their personal situations with their usual tax advisers.

2.2 Bearers not residing in France

Subject to any applicable tax agreements, the amounts distributed by the MF may, in certain circumstances, be subject to a levy or withholding tax in France. Moreover, the capital gains realised on the purchase/sale of the MF's units are generally tax exempt.

Bearers residing outside of France will be subject to the provisions of the tax legislation applicable in their country of residence.

**Information on obligatory and automatic exchange of tax information**

The management company is liable to collect and transmit information on subscribers to shares in the mutual fund to the competent tax authorities, for the sole purpose of compliance with article 1649 AC of the General Tax Code and Council Directive 2014/107/EU of 9 December 2014, amending Directive 2011/16/EU concerning automatic and obligatory exchange of tax information.

In this regard, subscribers have the right to access, rectify and delete information held concerning them by communicating with the financial institution in compliance with the "IT and liberties" [Data Processing] Act of 06 January 1978, but are also obliged to provide the necessary information for declarations, at the request of the financial institution.

**Information relative to the "FATCA" law**

France and the United States have signed a Model I intergovernmental agreement ("IGA") for the implementation in France of the American law known as the "FATCA" law that targets tax evasion amongst American taxpayers holding financial assets abroad. The expression "American taxpayers" refers to a natural person who is an American citizen or resident, a partnership or company created in the United States or by virtue of American federal law or of the laws of one of the American States, or a trust if (i) a court located in the United States has, pursuant to the law, the power to issue orders or decisions substantially relating to all questions relative to the trust's administration and if (ii) one or more American taxpayers has/have a right of control over all of the trust's substantial decisions, or over the estate of a deceased person who was a citizen or resident of the United States.

The MF has been registered as a "reporting financial institution" with the American tax authorities. As such, the MF is required to provide the French tax authorities, for 2014 and subsequent years, with information regarding certain holdings or sums paid to certain American taxpayers or to non-American financial institutions considered as non-participants in the FATCA that will be the subject of an automatic information exchange between the French and American tax authorities. Investors will be required to certify their FATCA status to their financial intermediary or to the management company, as relevant.

As a result of the MF's application of its obligations under the IGA as implemented in France, the MF will be considered as complying with the FATCA and should be exempt from the withholding tax established by the FATCA on certain revenues or proceeds from American sources.

For investors whose units are held through an account holder located in a jurisdiction that has not signed an IGA, it is recommended that they should consult this account holder in order to be informed of its intentions with regard to the FATCA. Moreover, certain account holders may be required to collect additional information from investors in order to comply with their obligations under the FATCA or of the country in which the account is held. Also, the scope of the obligations under the FATCA or an IGA can vary according to the account holder's jurisdiction. Investors should therefore check with their usual tax advisers.

***For more details, the complete prospectus can be obtained by requesting it from the management company.***

- *The net asset value is available from the head office of LYXOR INTERNATIONAL ASSET MANAGEMENT. The CIU's complete prospectus and the latest annual and periodic documents are sent within one week of the bearer's written request, submitted to LYXOR INTERNATIONAL ASSET MANAGEMENT, 17, cours Valmy - 92800 Puteaux - France.*
- *Approval date by the Financial Markets Authority: 12 December 2006.*
- *Fund creation date: 24 January 2007.*

# Activity report

The net asset value of the unit C-EUR of the Lyxor Brazil (IBOVESPA) UCITS ETF MF shows an evolution of 16.60% over the fiscal year and stands at EUR 16.9352 on 31/08/2017, meaning a fund performance of 6.71% since inception.

The fund replicates the performance of the BRAZIL BOVESPA STOCK IDX, listed in Brazilian reals (BRL), representative of the most actively traded equities on the Sao Paulo stock exchange in Brazil.

This index has shown an evolution of 22.34% over the fiscal year. The D-EUR, C-EUR class not being valued to the index currency, the evolution of their net asset value is subject to the exchange risk. During the fiscal year, the EUR shows an increase of 6.75% compared to the USD.

This gap between the annual performance of the UCITS and that of its Benchmark Index can be explained by the result of the various parameters listed below:

- The operating and management fees as well as the external management fees of the management company,

- The costs for accessing the local markets of the securities of the replicated indexing,

- The costs or gains related to the instruments used as part of the replication of the indexing.

In pursuit of the greatest possible correlation with the performance of the BRAZIL BOVESPA STOCK IDX index, the MF will achieve its management objective using the indirect replication method which means that it will enter into one or more OTC swap contracts enabling it to achieve its investment objective. The objective of these swap contracts will be to exchange (i) the value of the MF's assets, which will consist of balance sheet assets (excluding any securities received as guarantees), for (ii) the value of the securities that underlie the BRAZIL BOVESPA STOCK IDX index.

The equities in the MF's assets will notably be equities making up the BRAZIL BOVESPA STOCK IDX index, as well as other European equities, from all economic sectors, listed on all markets, including the small caps markets.

The fund's risk and yield profile has been classed as category 7 given its exposure to the Benchmark Index.

On 31/08/2017, the tracking error reached the level of 0.0430% for the MF. The level of the target tracking error for the period was of 0.1%.

The discrepancy between the target tracking error and the actual tracking error was not significant which shows a compliance with the TE objective set at the beginning of the year.

The counterparty for the Index-Linked Swaps obtained by the fund is: Société Générale.

** The figures referring to past performance relate to past periods and are not a reliable indicator of future results.*

**Regulatory information**

**Transfer commission** *(not audited by the auditor)*

None.

**Provisions for providing the investors with the various documents and reports relative to the management company's voting policy and its implementation.**

The "voting policy" document, the report from the management company on the conditions whereby it exercised the voting rights of the CIU that it manages and the information relative to the vote on each resolution can, pursuant to article 322-75, 322-76 and 322-77 of the Financial Markets Authority General Regulations, be consulted either on the management company's website or at its head office (upon request).

**Overall risk of the CIU**

The management company's method for measuring the overall risk of the CIU: the method chosen is the commitment method.

**ESG criteria**

Pursuant to articles L.533 22-1 and D.533-16-1 of the [French] Monetary and Financial Code,

**1. Description of Environmental, Social, and Governance (ESG) criteria (reference II-2°)**

Lyxor is a signatory to the United Nations Principles for Responsible Investment (UN PRI) and has adopted a responsible investment policy that sets out the values and practices established by our organization to integrate environmental, social and governance ("ESG") issues in its investment solutions. Lyxor's SRI Policy is available on the website Lyxor.com and is revised each year.

For this fund the SRI Policy includes the following key areas:

a) Description of the nature of the main criteria considered for ESG issues and the reasons for choosing them (reference III-1°-a)

The fund excludes the issuers associated with serious and repeated breaches of regulatory requirements applicable to controversial sectors and products.

The exclusion list mentions the firms that are to be excluded in application of the Defense Sector Policy, due to their involvement in activities linked to prohibited or controversial weapons (anti-personnel mines, cluster bombs, depleted uranium weapons).

b) Information used for the analysis carried out on ESG criteria (reference III-2°)

The inclusion of ESG risks and opportunities into traditional management and investment decisions must be based on appropriate research sources.

The integration process focuses on the potential impact of ESG issues on companies (positive and negative), which may affect the investment decision.

Lyxor is using a variety of external information sources, including the following extra-financial rating agencies: MSCI-ESG Research, Vigeo-Eiris, ISS Ethix and Sustainalytics.

Each partnership has been put in place following a rigorous selection based on tenders and due diligence processes addressing specific topics.

Lyxor uses the services of ISS-Ethix to identify companies that are considered in breach of its Defence Policy.

c) Methodology and implementation of this analysis (reference III-3°a)

More than 80 securities in nearly 20 countries around the world are excluded.

Specific controls are performed (pre & post trade) within the Risk department on the fund, in total independence of operational teams.

The post trade control frequency is based on publication of this fund's NAV. All breaches to this list are notified to Managers for immediate resolution.

In the specific case of an indirect replication, the financial exposition via the derivative product is reported on a monthly basis.

d) Description of how the results of the analysis are integrated in investment policies (reference II-2°-d)

The exclusion described above is applied to assets directly held by the fund and to 100% of the fund holdings.

**Portfolio ESG Rating as of August 31, 2017**

| ESG score | Environmental | Social | Governance |
|---|---|---|---|
| **4.44** | **5.00** | **4.83** | **3.76** |

**Distribution of the companies according to their ESG rating.**

| | | | |
|---|---|---|---|
| **Leaders (AAA,AA)** | 5% | % Portfolio rated | 100% |
| **Average (A, BBB,BB)** | 81% | | |
| **Laggards (B,CCC)** | 15% | Nb Securities rated | 58 |

**Portfolio Exposure to ESG Controversies**

Shows the percentage of portfolio securities with Red, Orange, Yellow and Green flagged ESG controversies

| | |
|---|---|
| **Red Flag** | **3%** |
| **Orange Flag** | **14%** |
| **Yellow Flag** | **22%** |
| **Green Flag** | **34%** |

- Red indicates involvement in one or more very severe controversies;
- Orange indicates involvement in one or more serious and structural controversies;
- Yellow indicates involvement in serious and non-structural controversies;
- Green indicates involvement in moderate controversies which do not constitute a breach of these requirements.

**ESG Rating methodology (Corporate & Government issuers)**

The ESG note calculated with the portfolio measures the capacity of underlying issuers to handle key risks and opportunities related to environmental, social and governance factors. The rating scale ranges from 0 (high risk) to 10 (low risk).

The issuers ratings are calculated in absolute value on each pillar and under theme. They are comparable for any sector.

For Sectors and Themes, the portfolio-level score is based only on the subset of securities that have relevant scores. Issuers weights of the subset are rebalanced to equal 100%.

The weightings of the three criteria, Environmental, Social, and Governance, take into account the specific issues of each sector.

For Corporate: Metrics exposure and management of ESG issues cover the following themes:

• Environment: Pollution, Waste Management, Sustainable Use of Resources, Climate Change

• Social: Employment, Social Relationships, Health and Security, Training, Compliance with ILO Agreements

• Governance: Administrative or Supervisory Board, Audit and Internal Control, Officers Compensation

For Governments: Metrics exposure and management of ESG issues cover the following themes:

• Environment: Env Externalities, Natural Resources

• Social: Human Capital, Economic Environment

• Governance; Financial Governance, Political Governance

Source: The Company gross ESG data are provided by the MSCI agency

**2. Description of the integration of the ESG analysis results criteria, in particular exposure to climate risks, in investment policy (Reference II-2°)**

Lyxor is progressively increasing an ESG & Carbon rating capacity with a proprietary approach for its vehicles.

In addition to such rating, with regard to the communication on how climate risks are taken into account and the contribution of a portfolio to the energy and ecological transition and its alignment with the international goal of limiting global warming to 2 degrees by the year 2100, we have decided to report the following exposures calculated at portfolio level:

- Portfolio Carbon Footprint

- Portfolio exposure to transition risk (brown area)

- Portfolio exposure to issuers offering environmental solutions (green area)

Measuring the GHG emissions of its investments is seen as a first step. This will provide investors with an indication of their financed emissions.

**Portfolio Carbon Footprint**

| Carbon Emissions<br>tons CO2e / $M invested | Carbon Intensity<br>tons CO2e / $M sales | Weighted Average Carbon Intensity<br>tons CO2e / $M sales |
|---|---|---|
| 473.9 | 406.4 | 275.8 |

| As of | August 31, 2017 |
|---|---|
| % Portfolio rated (weight) | 100% |
| % Scope 1 reported (vs estimated) | 87% |
| % Scope 2 reported (vs estimated) | 77% |

Scope 1 & 2 estimations are based on MSCI methodology

Scope 1 & 2 estimations are based on MSCI methodology

**Carbon Rating methodology**

**Definition:** The carbon footprint aims to account for the greenhouse gas emissions produced by the companies held in portfolio. The carbon emissions are calculated from the Carbon Emissions tons CO2e/$M invested: It measures the volume of greenhouse gas emissions (GHG) for which the portfolio is responsible in proportion to its capital share.

**Carbon Intensity tons CO2e / $M sales:** Carbon emissions are calculated from a company's estimated volume of direct (scope 1) and indirect (scope 2 only) greenhouse gas emissions on its turnover.

Weighted Average Carbon Intensity tons CO2e / $M sales measures a strong carbon portfolio exposure to issuers in scope 1 and 2.

**Scope:** Carbon emissions mean scope 1 + scope 2

**Scope 1 emissions:** direct greenhouse gas emissions (combustibles, cryogenic fluids, fuel consumption of owned vehicles)

**Scope 2 emissions:** indirect emissions (electricity, generated steam)

Source: The Company gross carbon data are provided by the MSCI agency

Please note the carbon metrics are applicable to equity portfolios, the Weighted Average Carbon Intensity metric (in tons CO2/$M revenue) (#3), is also applicable to portfolios comprising bond issuers.

**Portfolio exposure to transition risk**

The data below represent portfolio exposure to issuers with fossil energy reserves (in terms of the weight of the portfolio), which may be stranded in the context of a low carbon transition. Thermal coal reserves have the highest level of carbon and therefore are the most dangerous.

The brown area is defined as the percentage of MWh generated from fossil energies or share of company's turnover generated through fossil energies or share of the portfolio invested in fossil fuel extraction (to reflect products and services exposed to fossil energies).

| (% Weight of portfolio) | |
|---|---|
| All Reserves | **19%** |
| Thermal Coal | **10%** |
| Natural Gas | **8%** |
| Oil | **8%** |

**Portfolio exposure to issuers offering environmental solutions**

The data represent the portfolio's exposure to issuers offering environmental solutions (in terms of the weight of the portfolio) and the type of solutions proposed: energy efficiency, alternative energy, sustainable water, pollution prevention or sustainable construction. These emitters are likely to benefit from a low carbon transition.

The Green area is defined as the percentage of outstandings invested in companies whose activity contributes to the struggle against climate change (to reflect eco-solutions / green products)

| % Issuers with a turnover dedicated to environmental solutions between: | |
|---|---|
| [0-19.9%] | **22%** |
| [20-49.9%] | **5%** |
| [50-100%] | **3%** |

**Information on the compensation policy:**

The management company has established a compensation policy in compliance with the regulations in force. This policy complies with the economic strategy, the objectives, and the values and interests of the management company and the Funds which it manages, as well as those of the investors in these Funds, and includes measures designed to avoid conflicts of interest.

The compensation policy of the management company implements a balanced system whereby the compensation of the employees concerned is based on the below principles, in particular:

- the compensation policy of the management company is compatible with efficient and healthy risk management, encouraging such an approach, and discouraging any risk-taking which would be incompatible with the risk profiles, the present brochure, or the other governing documents of the Funds managed by the management company;

- the compensation policy was adopted by the Supervisory Board of the management company, which adopts and re-examines the general principles of such policy at least once a year;

- personnel engaged in monitoring functions are compensated in accordance with the achievement of the objectives linked to their position, regardless of the performance of the sectors that they monitor;

- when the compensation varies according to performances, its amount is established by combining the evaluation of the performance of the person concerned and the valuation of the business unit or the Funds, and with regard to their risks and the results of the entirety of the management company during the evaluation of individual performances, taking financial and non-financial criteria into account;

- an appropriate balance is established between the fixed and variable components of the overall compensation;

- above a certain threshold, a large portion (which in all cases is at least 50% of the entire variable component of the compensation) consists of exposure to an index the components and the operational rules of which guarantee the alignment of the interests of the personnel concerned and those of the investors;

- above a certain threshold, a substantial portion (and in all cases at least 40%) of the variable component of the compensation is delayed for an appropriate period;

- variable compensation, including the delayed part, is only paid or acquired if it is compatible with the overall financial situation of the management company and if it is justified by the performances of the business unit, the Funds and the person concerned.

The updated details of the compensation policy are available on the following website: http://www.lyxor.com/fr/menu-corporate/nous-connaitre/mentions-reglementaires/

**Transparency of securities financing operations and reuse of financial instruments SFTR regulation**
*(Accounting currency of the CIU)*

**1. General information.**

**1.1. Amount of securities and raw materials loaned in proportion with the total assets that can be loaned, defined as excluding the cash and cash equivalents.**

| | Securities lending |
|---|---|
| % of assets that can be loaned | - |

**1.2. Amount of the assets committed to each type of securities financing operation and total return swap, expressed in absolute value (in the currency of the collective investment undertaking) and in proportion with the assets under management of the collective investment undertaking.**

| | Securities lending | Securities borrowing | Repo operations | Reverse repo operations | TRS |
|---|---|---|---|---|---|
| Absolute value | - | - | - | - | 280,414,885 |
| % of assets under management | - | - | - | - | 93.71 |

**2. Concentration data**

**2.1. The ten biggest issuers of guarantees for all types of securities financing operations and total return swaps (breakdown of the volumes of guarantees and raw materials received, with the names of the issuers).**

| | | |
|---|---|---|
| 1 | Name | PERSIMMON PLC |
| | Amount | 17,526,950 |
| 2 | Name | BNP PARIBAS |
| | Amount | 5,919,408 |
| 3 | Name | COMMERZBANK AG |
| | Amount | 775,368 |
| 4 | Name | WENDEL |
| | Amount | 465,759 |
| 5 | Name | WORLDLINE |
| | Amount | 360,984 |
| 6 | Name | SCHNEIDER ELECTRIC |
| | Amount | 336,144 |
| 7 | Name | COVESTRO AG |
| | Amount | 266,614 |
| 8 | Name | AIR LIQUIDE FINANCE |
| | Amount | 50,045 |
| 9 | Name | BAYER AG |
| | Amount | 108 |
| 10 | Name | BASF |
| | Amount | 81 |

**2.2. The ten main counterparties for each type of securities financing operation and total return swap separately (name of the counterparty and gross volume of operations in progress).**

| | | Securities lending | Securities borrowing | Repo operations | Reverse repo operations | TRS |
|---|---|---|---|---|---|---|
| 1 | Name | - | - | - | - | SOCIETE GENERALE |
| | Amount | - | - | - | - | 280,414,885 |

**3. Aggregated operation data for each type of securities financing operation and total return swap separately, broken down according to the following categories.**

**3.1. Type and quality of the guarantees.**

| | Securities lending | Securities borrowing | Repo operations | Reverse repo operations | TRS |
|---|---|---|---|---|---|
| Cash | - | - | - | - | - |
| Security | - | - | - | - | 25,701,461 |
| Rating or literary | Not applicable | | | | |

**3.2. Guarantee maturity.**

| | Securities lending | Securities borrowing | Repo operations | Reverse repo operations | TRS |
|---|---|---|---|---|---|
| Under 1 day | - | - | - | - | - |
| 1 day to 1 week | - | - | - | - | - |
| 1 week to 1 month | - | - | - | - | - |
| 1 to 3 months | - | - | - | - | - |
| 3 months to 1 year | - | - | - | - | - |
| More than 1 year | - | - | - | - | - |
| Open | - | - | - | - | 25,701,461 |

**3.3. Guarantee currency.**

| | | Securities lending | Securities borrowing | Repo operations | Reverse repo operations | TRS |
|---|---|---|---|---|---|---|
| 1 | Currency | - | - | - | - | GBP |
| | Amount | - | - | - | - | 17,526,950 |
| 2 | Currency | - | - | - | - | EUR |
| | Amount | - | - | - | - | 8,174,511 |

**3.4. Maturity of the securities financing operations and total return swaps.**

| | Securities lending | Securities borrowing | Repo operations | Reverse repo operations | TRS |
|---|---|---|---|---|---|
| Under 1 day | - | - | - | - | - |
| 1 day to 1 week | - | - | - | - | - |
| 1 week to 1 month | - | - | - | - | - |
| 1 to 3 months | - | - | - | - | - |
| 3 months to 1 year | - | - | - | - | 280,414,885 |
| More than 1 year | - | - | - | - | - |
| Open | - | - | - | - | - |

**3.5. Countries where the counterparties are established.**

| | | Securities lending | Securities borrowing | Repo operations | Reverse repo operations | TRS |
|---|---|---|---|---|---|---|
| 1 | Country | - | - | - | - | FRANCE |
| | Amount | - | - | - | - | 280,414,885 |

**3.6. Settlement and clearing.**

| | Securities lending | Securities borrowing | Repo operations | Reverse repo operations | TRS |
|---|---|---|---|---|---|
| Tripartite | - | - | - | - | - |
| Central counterparty | - | - | - | - | - |
| Bilateral | - | - | - | - | 280,414,885 |

**4. Data on the reuse of guarantees (collateral).**

Financial guarantees received in a non-cash form shall not be sold, reinvested or pledged.

**5. Retention of the guarantees received by the collective investment undertaking in connection with securities financing operations and total return swaps.**

| | | |
|---|---|---|
| Number of custodians | | 1 |
| 1 | Name | SOCIETE GENERALE |
| | Amount | 25,701,461 |

**6. Retention of the guarantees provided by the collective investment undertaking in connection with securities financing operations and total return swaps.**

The custodian, Société Générale S.A., exercises three types of responsibility; respectively, the monitoring of the regularity of the decisions of the management company, the monitoring of cash flows of the CIU and the custody of the assets of the CIU.

Société Générale S.A also works with a limited number of sub-custodians, selected according to the most rigorous quality standards, including the management of possible conflicts of interest which may arise from these appointments. The Custodian has established an effective policy for identification, prevention and management of conflicts of interest, in compliance with national and international regulations as well as international norms.

**7. Data on the earnings and costs for each type of securities financing operation and total return swap.**

The CIU shall utilise over-the-counter index-linked swaps trading the value of the CIU's assets (or, as the case may be, any other asset held by the CIU) against the value of the Benchmark Indicator.

The revenue and costs linked to these Total Return Swaps (TRS) are included in the assessment of the instruments as well as in the result presented in the statement of net assets and the statement of net asset values.

# Statutory auditor's report



STATUTORY AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS
For the year ended 31 August 2017

LYXOR BRAZIL (IBOVESPA) UCITS ETF
UCITS CONSTITUTED AS A FONDS COMMUN DE PLACEMENT
Governed by the French Monetary and Financial Code (Code monétaire et financier)

Management Company
LYXOR INTERNATIONAL ASSET MANAGEMENT
17, cours Valmy
92800 PUTEAUX

## Opinion

In compliance with the assignment entrusted to us by the management company, we conducted an audit of the accompanying financial statements of LYXOR BRAZIL (IBOVESPA) UCITS ETF, a UCITS constituted as a fonds commun de placement, for the year ended 31 August 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the fund at 31 August 2017 and of the results of its operations for the year then ended, in accordance with French accounting principles.

## Basis of our opinion

### *Audit standards*

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained sufficient and appropriate to provide a basis for our audit opinion.
Our responsibilities under these standards are described in the section "*Statutory Auditor's responsibilities for the audit of the financial statements*" in this report.

### *Independence*

We conducted our audit engagement in accordance with the applicable rules on independence, from 1 September 2016 and up to the date of this report, and in particular we did not provide any non-audit services prohibited under Article 5, paragraph 1 of Regulation (EU) No. 537/2014 or by the auditors' professional code of ethics.

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Société d'expertise comptable inscrite au tableau de l'ordre de Paris - Ile de France. Société de commissariat aux comptes membre de la compagnie régionale de Versailles. Société par Actions Simplifiée au capital de 2 510 460 €. Registered office: 63 rue de Villiers 92200 Neuilly-sur-Seine. RCS Nanterre 672 006 483. TVA n° FR 76 672 006 483. Siret 672 006 483 00362. Code APE 6920 Z. Bureaux : Bordeaux, Grenoble, Lille, Lyon, Marseille, Metz, Nantes, Nice, Paris, Poitiers, Rennes, Rouen, Strasbourg, Toulouse.



LYXOR BRAZIL (IBOVESPA) UCITS ETF

Justification of our assessments - Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the key matters as regards to the risk of material misstatement that, in our professional judgement, were the most significant for the audit of the financial statements and our responses to these risks.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed above. We do not provide an opinion on individual items in the financial statements.

| *Key audit matters* | *Audit response to cover these risks* |
|---|---|
| The main risks of the fund relate to the financial instruments in its portfolio.<br><br>Any error in valuing or recording these financial instruments could lead to a misstatement in the calculation of the fund's net asset value and in the financial statements.<br><br>We therefore focused our work on the valuation and existence of the financial instruments in the portfolio.<br><br>Valuation of financial instruments traded on a regulated or equivalent market<br><br>Valuation of the fund's financial instruments traded on a regulated or equivalent market is not complex as it is based primarily on listed prices provided by independent sources.<br><br>However, the related amounts are significant and could lead to a material misstatement.<br><br>The value of the financial instruments traded on a regulated or equivalent market is recorded in the balance sheet and presented in the detailed portfolio provided in the notes to the financial statements. The valuation rules for these financial instruments are disclosed in the "Significant accounting policies" note to the financial statements. | We compared the year-end valuation of the fund's financial instruments traded on a regulated or equivalent market with observable prices obtained from market databases. |

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LYXOR BRAZIL (IBOVESPA) UCITS ETF

| | |
|---|---|
| Valuation of financial contracts traded over the counter<br><br>As part of its investment strategy, the fund uses over-the-counter swaps. The valuation of these swaps is not observable on a regulated or equivalent market. The valuation of over-the-counter swaps is therefore a key audit matter.<br><br>The value of the swap is recorded under the line item "financial contracts" in the balance sheet and presented in the detailed portfolio provided in the notes to the financial statements. The commitment related to the swap is presented in the off-balance sheet statement. The valuation rules for these financial instruments are disclosed in the "Significant accounting policies" note to the financial statements. | We verified that the swap's valuation as recorded at year-end agreed to the value communicated by the counterparty to the swap.<br><br>We gained an understanding of the internal control procedure performed by the management company over swaps valuation. We verified that this procedure had been applied at year-end. |
| Existence of financial instruments<br><br>The portfolio's financial instruments are held in custody or maintained by the fund's depositary. The depositary certifies the existence of financial instruments at year-end.<br><br>There is nonetheless a risk that these financial instruments could be inaccurately or only partially recorded in the fund's accounting.<br><br>The existence of these financial instruments is a key audit matter as the related amounts are material and could lead to a material misstatement. | We verified the existence of the portfolio's financial instruments by reviewing the fund's reconciliation between the fund's financial instruments held at year-end and these identified by the depositary in an account opened in the fund's name. Any material differences were examined, if applicable using trade tickets or contracts. |

Verification of the management report and other documents addressed to unit-holders

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report, and in the documents addressed to the unit-holders with respect to the financial position and the financial statements.

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LYXOR BRAZIL (IBOVESPA) UCITS ETF

## Disclosures arising from other legal and regulatory requirements

*Appointment of the Statutory Auditors*

We were appointed as Statutory Auditor of LYXOR BRAZIL (IBOVESPA) UCITS ETF, a UCITS constituted as a fonds commun de placement, by the management company on 12 December 2006.

At 31 August 2017, our firm was in the eleventh consecutive year of its engagement, i.e. the eleventh year following the admission of the fund's securities for trading on a regulated market.

## Responsibilities of management and those charged with governance for the financial statements

It is the management company's responsibility to prepare the fund's financial statements presenting a true and fair view in accordance with French accounting principles and to implement the internal control that it deems appropriate for the preparation of financial statements that do not contain material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the fund's ability to continue as a going concern, disclosing in the financial statements, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the fund or to cease operations.

It is the management company's responsibility to monitor the preparation of financial information and oversee the efficiency of the internal control and risk management system and the internal audit system relating to the preparation and processing of financial and accounting information.

These financial statements have been prepared by the management company.

## Statutory Auditor's responsibilities for the audit of the financial statements

*Audit purpose and approach*

It is our responsibility to prepare a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements, taken as a whole, are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As indicated in article L.823-10-1 of the French Commercial Code, our statutory audit of the financial statements is not to guarantee the viability or the quality of your management.

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LYXOR BRAZIL (IBOVESPA) UCITS ETF

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor uses professional judgement throughout the entire audit.

He also:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;

- concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. Such conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluates the overall presentation of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

2017.12.19 16:43:46 +0100

Neuilly sur Seine, date of e-signature

*Document authenticated by e-signature*
The Statutory Auditor
PricewaterhouseCoopers Audit
Marie-Christine Jetil

# ANNUAL ACCOUNTS

# BALANCE SHEET assets

| | 31.08.2017 | 31.08.2016 |
|---|---|---|
| Currency | EUR | EUR |
| **Net fixed assets** | **-** | **-** |
| **Deposits** | **-** | **-** |
| **Financial instruments** | **299,425,847.85** | **256,463,661.27** |
| • **EQUITIES AND SIMILAR SECURITIES** | | |
| Traded on a regulated or similar market | 284,792,500.49 | 256,463,661.27 |
| Not traded on a regulated or similar market | - | - |
| • **BONDS AND SIMILAR SECURITIES** | | |
| Traded on a regulated or similar market | - | - |
| Not traded on a regulated or similar market | - | - |
| • **DEBT SECURITIES** | | |
| Traded on a regulated or similar market | | |
| *Negotiated debt securities* | - | - |
| *Other debt securities* | - | - |
| Not traded on a regulated or similar market | - | - |
| • **COLLECTIVE INVESTMENT UNDERTAKINGS** | | |
| General purpose UCITS and Investment Fund intended for non-professionals and equivalent, of other countries | - | - |
| Other Funds intended for non-professionals and equivalent, of other EU member states | - | - |
| General purpose professional Funds and equivalent, of other EU member states and listed securitisation entities | - | - |
| Other professional investment Funds and equivalent of other EU member states and non-listed securitisation entities | - | - |
| Other non-European entities | - | - |
| • **TEMPORARY SECURITIES TRANSACTIONS** | | |
| Receivables representing financial securities under reverse repurchase agreements | - | - |
| Receivables representing loaned financial securities | - | - |
| Financial securities borrowed | - | - |
| Financial securities under repurchase agreements | - | - |
| Other temporary transactions | - | - |
| • **FINANCIAL CONTRACTS** | | |
| Operations on a regulated or similar market | - | - |
| Other operations | 14,633,347.36 | - |
| • **OTHER FINANCIAL INSTRUMENTS** | - | - |
| **Receivables** | **9,484,764.20** | **-** |
| Future foreign exchange operations | - | - |
| Other | 9,484,764.20 | - |
| **Financial accounts** | **-** | **0.04** |
| Liquidities | - | 0.04 |
| **Other Assets** | **-** | **-** |
| **Total assets** | **308,910,612.05** | **256,463,661.31** |

# BALANCE SHEET liabilities

| | 31.08.2017 | 31.08.2016 |
|---|---|---|
| Currency | EUR | EUR |
| **Shareholders' equities** | | |
| • Capital | 282,065,839.15 | 183,737,636.96 |
| • Non-distributed prior net capital gains and losses | - | - |
| • Carried forward | - | - |
| • Net capital gains and losses of the fiscal year | 15,295,734.74 | 64,880,387.16 |
| • Profit and loss during the fiscal year | 1,876,327.45 | 1,099,090.54 |
| **Total shareholders' equity** *(amount representing the net assets)* | **299,237,901.34** | **249,717,114.66** |
| **Financial instruments** | **-** | **6,591,568.32** |
| • **SALE OPERATIONS ON FINANCIAL INSTRUMENTS** | - | - |
| • **TEMPORARY FINANCIAL SECURITIES TRANSACTIONS** | | |
| Debts representing financial securities under repurchase agreements | - | - |
| Debts representing borrowed financial securities | - | - |
| Other temporary transactions | - | - |
| • **FINANCIAL CONTRACTS** | | |
| Operations on a regulated or similar market | - | - |
| Other operations | - | 6,591,568.32 |
| **Debts** | **9,461,867.31** | **154,978.33** |
| Future foreign exchange operations | - | - |
| Other | 9,461,867.31 | 154,978.33 |
| **Financial accounts** | **210,843.40** | **-** |
| Bank loans and overdrafts | 210,843.40 | - |
| Loans | - | - |
| **Total liabilities** | **308,910,612.05** | **256,463,661.31** |

# Off-balance sheet commitments

| | 31.08.2017 | 31.08.2016 |
|---|---|---|
| Currency | EUR | EUR |
| **Hedging** | | |
| • Commitments on regulated or similar markets | | |
| - Futures market | - | - |
| - Options market | - | - |
| - Credit derivatives | - | - |
| - Swaps | - | - |
| - Contracts for Differences (CFD) | - | - |
| • Over-the-counter commitments | | |
| - Futures market | - | - |
| - Options market | - | - |
| - Credit derivatives | - | - |
| - Swaps | - | - |
| - Contracts for Differences (CFD) | - | - |
| • Other commitments | | |
| - Futures market | - | - |
| - Options market | - | - |
| - Credit derivatives | - | - |
| - Swaps | - | - |
| - Contracts for Differences (CFD) | - | - |
| **Other operations** | | |
| • Commitments on regulated or similar markets | | |
| - Futures market | - | - |
| - Options market | - | - |
| - Credit derivatives | - | - |
| - Swaps | - | - |
| - Contracts for Differences (CFD) | - | - |
| • Over-the-counter commitments | | |
| - Futures market | - | - |
| - Options market | - | - |
| - Credit derivatives | - | - |
| - Performance swaps | 280,414,885.65 | 275,433,367.38 |
| - Contracts for Differences (CFD) | - | - |
| • Other commitments | | |
| - Futures market | - | - |
| - Options market | - | - |
| - Credit derivatives | - | - |
| - Swaps | - | - |
| - Contracts for Differences (CFD) | - | - |

# Profit and loss account

| | 31.08.2017 | 31.08.2016 |
|---|---|---|
| Currency | EUR | EUR |
| **Earnings on financial transactions** | | |
| • Earnings on deposits and financial accounts | - | - |
| • Earnings on equities and similar securities | 3,402,871.24 | 2,638,225.43 |
| • Earnings on bonds and similar securities | - | - |
| • Earnings on debt securities | - | - |
| • Earnings on temporary financial securities acquisitions and sales | - | - |
| • Earnings on financial contracts | - | - |
| • Other financial products | - | - |
| **Total (I)** | **3,402,871.24** | **2,638,225.43** |
| **Charges on financial operations** | | |
| • Charges on temporary financial securities acquisitions and sales | - | - |
| • Charges on financial contracts | - | - |
| • Charges on financial debts | - | - |
| • Other financial charges | - | - |
| **Total (II)** | **-** | **-** |
| **Profit and loss on financial operations (I - II)** | **3,402,871.24** | **2,638,225.43** |
| Other earnings (III) | - | - |
| Management fees and depreciation charges (IV) | -1,850,270.60 | -1,386,346.87 |
| **Net profit and loss of the fiscal year (L.214-17-1) (I - II + III - IV)** | **1,552,600.64** | **1,251,878.56** |
| Adjustment of the fiscal year's incomes (V) | 323,726.81 | -152,788.02 |
| Advances on profit and loss paid for the fiscal year (VI) | - | - |
| **Profit and loss (I - II + III - IV +/- V - VI):** | **1,876,327.45** | **1,099,090.54** |

# 1 Accounting rules and methods

appendix

The annual accounts are presented in the form required by Regulation ANC 2014-01 that repealed the amended CRC Regulation 2003-02.

**Assessment rules**

The MF's assets are assessed in compliance with the applicable laws and regulations, and more particularly with the rules defined in regulation no. 2014-01 of the Accounting Regulatory Committee dated 14 January 2014 relative to the chart of accounts of open-ended undertakings for collective investment.

The financial instruments traded on a regulated market are assessed at the closing price on the day before the calculation day of the net asset value. When these financial instruments are traded on several regulated markets at the same time, the chosen closing price is the one of the regulated market in which they are primarily traded.

However, in the absence of significant transactions on a regulated market, the following financial instruments are assessed using the following specific methods:

- Negotiable debt securities ("NDS") having a residual life upon acquisition that is less than or equal to 3 months are assessed with a straight-line extension over the residual lifespan of the difference between the acquisition value and the redemption value. The management company nevertheless reserves the possibility of assessing these securities at the actual value in case of particular sensitivity to market risks (rates, etc.). The chosen rate is that of the equivalent security issues allocated to the risk margin related to the issuer;
- NDS, of which the residual lifespan at acquisition is greater than 3 months but of which the residual lifespan on the net asset value closing date is equal to or less than 3 months, are assessed by means of a linear distribution, over the residual lifespan, of the difference between the last adopted current value and the reimbursement value. The management company nevertheless reserves the possibility of assessing these securities at the actual value in case of particular sensitivity to market risks (rates, etc.). The chosen rate is that of the equivalent security issues allocated to the risk margin related to the issuer;
- NDS, of which the residual lifespan on the net asset value closing date is greater than 3 months, are assessed at their current value. The chosen rate is that of the equivalent security issues allocated to the risk margin related to the issuer.
- Firm future financial instruments traded on organised markets are assessed at the clearing price on the day before the calculation day of the net asset value. Conditional future financial instruments traded on organised markets are assessed at the market value on the day before the calculation day of the net asset value. Over-the-counter firm or conditional future financial instruments are assessed at the price given by the financial instrument's counterparty. They are presented in the off-balance sheet on the basis of the nominal value defined in the contract.

In the event of the holding of an EMTN, it will be valued on the basis of a market price given by the financial instrument's counterparty.

The management company independently carries out a verification of this valuation.

- Deposits are assessed at their nominal value, plus any related interest that has accrued.
- Subscription warrants, cash certificates, promissory notes and mortgage notes are assessed at their probable negotiation value, under the management company's responsibility.
- Temporary securities acquisitions and sales are assessed at the market price.
- Units and equities of undertakings for collective investment in transferable securities operating under French law are assessed at the last net asset value known on the calculation date of the MF's net asset value.
- Units and equities of investment MF operating under foreign law are assessed at the last unit net asset value known on the calculation date of the MF's net asset value.

Financial instruments traded on a regulated market for which the price has not been determined or for which the price has been corrected are assessed at their probable negotiation value, under the management company's responsibility.

The exchange rates used for the assessment of financial instruments listed in a currency other than the MF's reference currency are the exchange rates published by the fixing WM Reuters on the day of the MF's net asset value date.

**Posting method for the negotiation fees**

The chosen method is that of included fees.

**Posting method of incomes from fixed income securities**

The chosen method is that of the coupon received.

**Valuation methods for off-balance sheet commitments**

Off-balance sheet operations are valued at the commitment value.

The commitment value for firm futures contracts is equal to the price (in the currency of the CIU) multiplied by the number of contracts multiplied by the face value.

The commitment value for conditional operations is equal to the price of the underlying security (in the currency of the CIU) multiplied by the number of contracts multiplied by the delta multiplied by the underlying face value.

The commitment value for the swap contracts is equal to the contract's nominal amount (in the currency of the CIU).

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**Operation and management fees**

These fees include all of the fees invoiced directly to the MF, except for the transaction fees. The transaction fees include intermediation fees (brokerage, stock exchange tax, etc.) and the transfer commission which, if relevant, may notably be collected by the depository and management company.

For this MF, the following fees can be added to the operation and management fees (see summary Table hereinafter):

- Outperformance commissions: these commissions reward the management company when the MF has exceeded its objectives and are invoiced to the MF;
- Transfer commissions invoiced to the MF.

For more details on the fees actually invoiced to the MF, refer to the Statistical Part of the Key Investor Information Document "KIID".

| Fees invoiced to the MF | Basis | Schedule rate (including tax) |
|---|---|---|
| Financial management fees and administrative fees external to the portfolio management company (Auditor, Depository, distribution, lawyers) including tax (1) | Net assets | maximum 0.65% per year |
| Outperformance commissions | Net assets | None |
| Transfer commissions | Collection on each transaction | None |

(1) including all fees excluding transaction fees, outperformance fees and fees related to investments in UCITS.

**Accounting currency**

The MF accounting is carried out in Euro.

**Indication of accountancy changes declared to each of the bearers individually**

- Occurred change: None.
- Future change: None.

**Indication of other changes declared to each of the bearers individually** *(Not certified by the auditor)*

- Occurred change: None.
- Future change: None.

**Indication and justification of the changes to estimates and application provisions**

None.

**Indication of the nature of the errors corrected during the fiscal year**

None.

**Indication of the rights and conditions attached to each category of units**

**Class of units C-EUR:** Capitalisation of all the amounts available for distribution.

**Class of units USD:** The management company reserves the right to capitalise and/or distribute all or part of the amounts available for distribution, one or more times each year.

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# 2. Evolution of the net assets

| | 31.08.2017 | 31.08.2016 |
|---|---|---|
| Currency | EUR | EUR |
| **Net assets at the start of the fiscal year** | **249,717,114.66** | **173,332,663.53** |
| Subscriptions (including subscription commission acquired by the CIU) | 266,004,935.75 | 146,199,566.06 |
| Redemptions (less the redemption commission acquired by the CIU) | -262,726,874.78 | -151,971,717.82 |
| Capital gains generated on deposits and financial instruments | 47,690,130.36 | 22,606,025.80 |
| Capital losses generated on deposits and financial instruments | -21,058,585.39 | -27,231,761.87 |
| Capital gains generated on financial contracts | 1,046,007,816.31 | 763,312,371.16 |
| Capital losses generated on financial contracts | -1,033,014,177.01 | -688,019,917.47 |
| Transaction fees | -4.15 | - |
| Exchange differentials | -10,320,622.27 | 3,840,774.50 |
| Changes to the estimate difference of the deposits and financial instruments: | -5,839,348.46 | 12,687,620.25 |
| *- Estimate difference fiscal year N* | *19,602,067.34* | *25,441,415.80* |
| *- Estimate difference fiscal year N-1* | *25,441,415.80* | *12,753,795.55* |
| Changes to the estimate difference of financial contracts: | 21,224,915.68 | -6,290,388.04 |
| *- Estimate difference fiscal year N* | *14,633,347.36* | *-6,591,568.32* |
| *- Estimate difference fiscal year N-1* | *-6,591,568.32* | *-301,180.28* |
| Previous fiscal year distribution of net capital gains and losses | - | - |
| Previous fiscal year distribution on profit and loss | - | - |
| Net profit and loss of the fiscal year before adjustment account | 1,552,600.64 | 1,251,878.56 |
| Advance(s) paid during the fiscal year on net capital gains and losses | - | - |
| Advance(s) paid during the fiscal year on profit and loss | - | - |
| Other elements | - | - |
| **Net assets at the end of the fiscal year** | **299,237,901.34** | **249,717,114.66** |

# 3. Information supplements

### 3.1 Financial instruments: breakdown by the instrument's legal or economic type

3.1.1 Breakdown of the "Bonds and similar securities" item by type of instrument

| | Traded on a regulated or similar market | Not traded on a regulated or similar market |
|---|---|---|
| Index-linked bonds | - | - |
| Convertible bonds | - | - |
| Fixed-rate bonds | - | - |
| Variable-rate bonds | - | - |
| Zero-coupon bonds | - | - |
| Participating securities | - | - |
| Other instruments | - | - |

3.1.2 Breakdown of the "Debt securities" item by legal or economic type

| | Traded on a regulated or similar market | Not traded on a regulated or similar market |
|---|---|---|
| Treasury Bills | - | - |
| Negotiable EUropean Commercial Paper (NEU CP) issued by non-financial issuers | - | - |
| Negotiable EUropean Commercial Paper (NEU CP) issued by bank issuers | - | - |
| Negotiable EUropean Medium Term Note (NEU MTN) | - | - |
| Other instruments | - | - |

3.1.3 Breakdown of the "Sale operations on financial instruments" item by instrument type

| | Securities under reverse repurchase agreement sold | Securities borrowed sold | Securities acquired with redemption right sold | Short sales |
|---|---|---|---|---|
| Equities | - | - | - | - |
| Bonds | - | - | - | - |
| Debt securities | - | - | - | - |
| Other investments | - | - | - | - |

3.1.4 Breakdown of the off-balance sheet headings by market type (notably rates, equities)

| | Rate | Equities | Exchange | Other |
|---|---|---|---|---|
| **Hedging** | | | | |
| Commitments on regulated or similar markets | - | - | - | - |
| Over-the-counter commitments | - | - | - | - |
| Other commitments | - | - | - | - |
| **Other operations** | | | | |
| Commitments on regulated or similar markets | - | - | - | - |
| Over-the-counter commitments | - | 280,414,885.65 | - | - |
| Other commitments | - | - | - | - |

**3.2 Breakdown by rate types of the asset, liability and off-balance sheet items**

| | Fixed rate | Variable rate | Revisable rate | Other |
|---|---|---|---|---|
| **Assets** | | | | |
| Deposits | - | - | - | - |
| Bonds and similar securities | - | - | - | - |
| Debt securities | - | - | - | - |
| Temporary financial securities operations | - | - | - | - |
| Financial accounts | - | - | - | - |
| **Liabilities** | | | | |
| Temporary financial securities operations | - | - | - | - |
| Financial accounts | - | - | - | 210,843.40 |
| **Off-balance sheet** | | | | |
| Hedging | - | - | - | - |
| Other operations | - | - | - | - |

**3.3 Breakdown by residual maturity of the asset, liability and off-balance sheet items**

| | 0-3 months | 3 months - 1 year | 1-3 years | 3-5 years | >5 years |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Deposits | - | - | - | - | - |
| Bonds and similar securities | - | - | - | - | - |
| Debt securities | - | - | - | - | - |
| Temporary financial securities operations | - | - | - | - | - |
| Financial accounts | - | - | - | - | - |
| **Liabilities** | | | | | |
| Temporary financial securities operations | - | - | - | - | - |
| Financial accounts | 210,843.40 | - | - | - | - |
| **Off-balance sheet** | | | | | |
| Hedging | - | - | - | - | - |
| Other operations | - | 280,414,885.65 | - | - | - |

**3.4 Breakdown by listing or assessment currency of the asset, liability and off-balance sheet items**
*This breakdown is given for the main listing or assessment currencies, with the exception of the currency for the keeping of the accounts.*

| By main currency | JPY | USD | CHF | Other currencies |
|---|---|---|---|---|
| **Assets** | | | | |
| Deposits | - | - | - | - |
| Equities and similar securities | 84,945,324.92 | 20,990,624.19 | 7,533,214.65 | 2,097,801.91 |
| Bonds and similar securities | - | - | - | - |
| Debt securities | - | - | - | - |
| CIU | - | - | - | - |
| Temporary financial securities operations | - | - | - | - |
| Receivables | - | - | - | - |
| Financial accounts | - | - | - | - |
| Other assets | - | - | - | - |
| **Liabilities** | | | | |
| Sale operations on financial instruments | - | - | - | - |
| Temporary financial securities operations | - | - | - | - |
| Debts | - | - | - | - |
| Financial accounts | - | - | - | - |
| **Off-balance sheet** | | | | |
| Hedging | - | - | - | - |
| Other operations | - | - | - | - |

**3.5 Receivables and Debts: breakdown by type**
*Details of the elements comprising the "other receivables" and "other debts" items, notably breakdown of the future foreign exchange operations by type of operation (purchase/sale).*

| | |
|---|---|
| **Receivables** | |
| Future currency exchange operations: | **9,484,764.20** |
| Future purchases of currency | - |
| Total traded amount of future Sales of currencies | - |
| Other receivables: | |
| Deferred settlement sales | 9,484,764.20 |
| - | - |
| - | - |
| - | - |
| - | - |
| Other operations | - |
| **Debts** | |
| Future currency exchange operations: | **9,461,867.31** |
| Future sales of currencies | - |
| Total traded amount of future Purchases of currencies | - |
| Other debts: | |
| Account payable | 9,273,920.80 |
| Accrued expenses | 187,946.51 |
| - | - |
| - | - |
| - | - |
| Other operations | - |

### 3.6 Shareholders' equity

| | | **Subscriptions** | | **Redemptions** |
|---|---|---|---|---|
| Unit category issued/redeemed during the fiscal year: | Number of units | Amount | Number of units | Amount |
| Unit C-USD / FR0010413294 | 1,428,846 | 23,813,517.89 | 3,388,955 | 53,454,982.79 |
| Unit C-EUR / FR0010408799 | 15,395,445 | 242,191,417.86 | 12,959,00 | 209,271,891.99 |
| Subscription / redemption commission by unit category: | | Amount | | Amount |
| Unit C-USD / FR0010413294 | | - | | - |
| Unit C-EUR / FR0010408799 | | - | | - |
| Retrocessions by unit category: | | Amount | | Amount |
| Unit C-USD / FR0010413294 | | - | | - |
| Unit C-EUR / FR0010408799 | | - | | - |
| Commissions acquired by the CIU by unit category: | | Amount | | Amount |
| Unit C-USD / FR0010413294 | | - | | - |
| Unit C-EUR / FR0010408799 | | - | | - |

### 3.7 Management fees

| Operating and management fees (fixed fees) as % of the average net assets | **%** |
|---|---|
| Unit category: | |
| Unit C-USD / FR0010413294 | **0.65** |
| Unit C-EUR / FR0010408799 | **0.65** |

| Outperformance commissions (variable fees): amount of costs for the year | **Amount** |
|---|---|
| Unit category: | |
| Unit C-USD / FR0010413294 | **-** |
| Unit C-EUR / FR0010408799 | **-** |
| Retrocession of management fees: | |
| - Total amount of fees retroceded to the CIU | **-** |
| - Breakdown by "target" CIU: | |
| - CIU 1 | - |
| - CIU 2 | - |
| - CIU 3 | - |
| - CIU 4 | - |

### 3.8 Commitments given and received

3.8.1 Description of guarantees received by the UCITS with indication of the capital guarantees ..... **None**
3.8.2 Description of the other commitments received and/or given.....**None**

### 3.9 Other information

| | |
|---|---|
| 3.9.1 Current value of the financial instruments that are the subject of temporary acquisition: | |
| - Financial instruments sold under forward repurchase agreements | **-** |
| - Other temporary operations | **-** |
| 3.9.2 Current value of the financial instruments comprising security deposits: | |
| Financial instruments received as guarantees and not included in the balance sheet: | |
| - equities | **25,701,460.69** |
| - bonds | **-** |
| - debt securities | **-** |
| - other financial instruments | **-** |
| Financial estimates given as guarantees and maintained in their original item: | |
| - equities | **-** |
| - bonds | **-** |
| - debt securities | **-** |
| - other financial instruments | **-** |
| 3.9.3 Financial instruments held in the portfolio, issued by entities linked to the management company (fund) or to the financial managers (MF) and CIU managed by these entities: | |
| - CIU securities | **-** |
| - Swaps | **14,633,347.36** |

**3.10 Allocation of the profit and loss table** *(in the CIU accounting currency)*

**Advances paid during the fiscal year**

| Date | Unit category | Overall amount | Unit amount | Total tax credits | Unit tax credits |
|---|---|---|---|---|---|
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| **Total advances** | | - | - | - | - |

| | 31.08.2017 | 31.08.2016 |
|---|---|---|
| **Allocation of the profit and loss** | EUR | EUR |
| **Sums still to be allocated** | | |
| Carried forward | - | - |
| Profit and loss | 1,876,327.45 | 1,099,090.54 |
| **Total** | **1,876,327.45** | **1,099,090.54** |

| Unit C-USD / FR0010413294 | 31.08.2017 | 31.08.2016 |
|---|---|---|
| Currency | EUR | EUR |
| **Allocation** | | |
| Distribution | - | - |
| Carried forward for the fiscal year | - | - |
| Capitalisation | - | 125,302.08 |
| **Total** | **-** | **125,302.08** |
| **Information relative to the units and resulting in a distribution right** | | |
| Number of units | - | - |
| Unit distribution | - | - |
| **Tax credits linked to the allocation of the profit and loss** | **-** | **-** |

| Unit C-EUR / FR0010408799 | 31.08.2017 | 31.08.2016 |
|---|---|---|
| Currency | EUR | EUR |
| **Allocation** | | |
| Distribution | - | - |
| Carried forward for the fiscal year | - | - |
| Capitalisation | 1,876,327.45 | 973,788.46 |
| **Total** | **1,876,327.45** | **973,788.46** |
| **Information relative to the units and resulting in a distribution right** | | |
| Number of units | - | - |
| Unit distribution | - | - |
| **Tax credits linked to the allocation of the profit and loss** | **-** | **-** |

**3.11. Allocation table of the distributable sums related to the net capital gains and losses**
*(in the CIU accounting currency)*

**Advances on net capital gains and losses paid for the fiscal year**

| Date | Overall amount | Unit amount |
|---|---|---|
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| **Total advances** | **-** | **-** |

| | 31.08.2017 | 31.08.2016 |
|---|---|---|
| **Allocation of the net capital gains and losses** | EUR | EUR |
| **Sums still to be allocated** | | |
| Non-distributed prior net capital gains and losses | - | - |
| Net capital gains and losses of the fiscal year | 15,295,734.74 | 64,880,387.16 |
| Advances paid on net capital gains and losses of the fiscal year | - | - |
| **Total** | **15,295,734.74** | **64,880,387.16** |

| Unit C-USD / FR0010413294 | 31.08.2017 | 31.08.2016 |
|---|---|---|
| Currency | EUR | EUR |
| **Allocation** | | |
| Distribution | - | - |
| Non-distributed net capital gains and losses | - | - |
| Capitalisation | 101.08 | -1,051,977.93 |
| **Total** | **101.08** | **-1,051,977.93** |
| **Information relative to the units and resulting in a distribution right** | | |
| Number of units | - | - |
| Unit distribution | - | - |

| Unit C-EUR / FR0010408799 | 31.08.2017 | 31.08.2016 |
|---|---|---|
| Currency | EUR | EUR |
| **Allocation** | | |
| Distribution | - | - |
| Non-distributed net capital gains and losses | - | - |
| Capitalisation | 15,295,633.66 | 65,932,365.09 |
| **Total** | **15,295,633.66** | **65,932,365.09** |
| **Information relative to the units and resulting in a distribution right** | | |
| Number of units | - | - |
| Unit distribution | - | - |

**3.12 Table of the profit and loss and other characteristic elements of the MF during the last 5 fiscal years**
*Fund creation date: 24 January 2007.*

| Currency EUR | **31.08.2017** | 31.08.2016 | 31.08.2015 | 29.08.2014 | 30.08.2013 |
|---|---|---|---|---|---|
| **Net assets** | **299,237,901.34** | 249,717,114.66 | 173,332,663.53 | 370,410,850.15 | 345,504,772.96 |

Unit C-USD / FR0010413294 — Currency of the unit and of the net asset value: USD

| | **31.08.2017** | 31.08.2016 | 31.08.2015 | 29.08.2014 | 30.08.2013 |
|---|---|---|---|---|---|
| **Number of outstanding units** | **-** | 1,960,109 | 1,185,257 | 1,237,597 | 1,506,097, |
| **Net asset value** | **-** | 16.1763 | 11.6808 | 25.2726 | 19.5996 |
| **Unit distribution on net capital gains and losses (including advances)** | **-** | - | - | - | - |
| **Unit distribution (including advances)*** | **-** | - | - | - | - |
| **Unit tax credit transferred to holders (natural persons) (1)** | **-** | - | - | - | - |
| **Unit capitalisation*** | **-** | -0.47 | -9.44 | 3.33 | -0.42 |

** The amounts of the unit distribution, the unit capitalisation and the tax credits are indicated in the accounting currency of the UCITS. The unit capitalisation corresponds to the profit or loss and the capital gains or losses on the number of outstanding units. This calculation method is applied from 1 January 2013.*
*(1) Pursuant to the Fiscal Instruction of 4 March 1993 from the Directorate General for taxes, the unit tax credit will be determined on the ex-dividend date by distribution of the total amount of the tax credits between the outstanding equities on that date.*

Unit C-EUR / FR0010408799 — Currency of the unit and of the net asset value: EUR

| | **31.08.2017** | 31.08.2016 | 31.08.2015 | 29.08.2014 | 30.08.2013 |
|---|---|---|---|---|---|
| **Number of outstanding units** | **17,669,495** | 15,233,050 | 15,441,875 | 18,068,109 | 21,738,809 |
| **Net asset value** | **16.9352** | 14.5242 | 10.4246 | 19.1865 | 14.8636 |
| **Unit distribution on net capital gains and losses (including advances)** | **-** | - | - | - | - |
| **Unit distribution (including advances)*** | **-** | - | - | - | - |
| **Unit tax credit transferred to holders (natural persons) (1)** | **-** | - | - | - | - |
| **Unit capitalisation*** | **0.97** | 4.39 | -8.07 | 3.45 | -6.49 |

** The amounts of the unit distribution, the unit capitalisation and the tax credits are indicated in the accounting currency of the UCITS. The unit capitalisation corresponds to the profit or loss and the capital gains or losses on the number of outstanding units. This calculation method is applied from 1 January 2013.*
*(1) Pursuant to the Fiscal Instruction of 4 March 1993 from the Directorate General for taxes, the unit tax credit will be determined on the ex-dividend date by distribution of the total amount of the tax credits between the outstanding equities on that date.*

# 4. Inventory as of 31.08.2017

| Security code | Name of the security | Security status | Quantity | Market value | Listing currency | % Net Assets |
|---|---|---|---|---|---|---|
| ***Investment Securities*** | | | | | | |
| ***Equity*** | | | | | | |
| FR0000120073 | AIR LIQUIDE | PGARAN | 488.00 | 50,044.40 | EUR | 0.02 |
| FR0000120073 | AIR LIQUIDE | OWN SPECIFIC | 73,054.00 | 7,491,687.70 | EUR | 2.50 |
| NL0000235190 | AIRBUS BR BEARER SHS | OWN SPECIFIC | 281,135.00 | 19,850,942.35 | EUR | 6.63 |
| JP3122800000 | AMADA HOLDINGS CO LTD | OWN SPECIFIC | 220,481.00 | 2,033,778.03 | JPY | 0.68 |
| JP3111200006 | ASAHI KASEI | OWN SPECIFIC | 432,231.00 | 4,350,376.04 | JPY | 1.45 |
| FR0000120628 | AXA | OWN SPECIFIC | 239,449.00 | 5,836,569.38 | EUR | 1.95 |
| ES0113211835 | BANCO BILBAO VIZCAYA ARGENTA | OWN SPECIFIC | 505,820.00 | 3,754,196.04 | EUR | 1.25 |
| ES0113679I37 | BANKINTER | OWN SPECIFIC | 851,982.00 | 6,824,375.82 | EUR | 2.28 |
| DE000BASF111 | BASF SE | PGARAN | 1.00 | 81.37 | EUR | 0.00 |
| DE000BASF111 | BASF SE | OWN SPECIFIC | 62,424.00 | 5,079,440.88 | EUR | 1.70 |
| DE000BAY0017 | BAYER AG | PGARAN | 1.00 | 107.50 | EUR | 0.00 |
| FR0000131104 | BNP PARIBAS | PGARAN | 92,621.00 | 5,919,408.11 | EUR | 1.98 |
| FR0000120172 | CARREFOUR SA | OWN SPECIFIC | 90,180.00 | 1,527,649.20 | EUR | 0.51 |
| CH0225173167 | CEMBRA MONEY BANK | OWN SPECIFIC | 29,360.00 | 2,145,691.65 | CHF | 0.72 |
| BE0003593044 | COFINIMMO SICAFI | OWN SPECIFIC | 11,550.00 | 1,252,020.00 | EUR | 0.42 |
| DE000CBK1001 | COMMERZBANK | PGARAN | 74,269.00 | 775,368.36 | EUR | 0.26 |
| US20605P1012 | CONCHO RESOURCES | OWN SPECIFIC | 4,351.00 | 406,115.29 | USD | 0.14 |
| DE0006062144 | COVESTRO AG | PGARAN | 4,039.00 | 266,614.39 | EUR | 0.09 |
| DE0006062144 | COVESTRO AG | OWN SPECIFIC | 38,286.00 | 2,527,258.86 | EUR | 0.84 |
| FR0000120644 | DANONE | OWN SPECIFIC | 242,889.00 | 16,067,107.35 | EUR | 5.37 |
| DE0005140008 | DEUTSCHE BANK AG-NOM | OWN SPECIFIC | 376,824.00 | 5,075,819.28 | EUR | 1.70 |
| FR0010208488 | ENGIE SA | OWN SPECIFIC | 91,752.00 | 1,286,363.04 | EUR | 0.43 |
| FR0000121667 | ESSILOR INTERNATIONAL | OWN SPECIFIC | 13,223.00 | 1,402,299.15 | EUR | 0.47 |
| JP3820000002 | FUJI ELECTRIC HOLDINGS | OWN SPECIFIC | 231,978.00 | 1,074,346.90 | JPY | 0.36 |
| US3156161024 | F5 NETWORKS INC | OWN SPECIFIC | 4,505.00 | 452,356.72 | USD | 0.15 |

| Security code | Name of the security | Security status | Quantity | Market value | Listing currency | % Net Assets |
|---|---|---|---|---|---|---|
| CH0030170408 | GEBERIT AG-NOM | OWN SPECIFIC | 365.00 | 139,955.80 | CHF | 0.05 |
| CH0001752309 | GEORG FISCHER AG NAMEN | OWN SPECIFIC | 777.00 | 751,463.83 | CHF | 0.25 |
| CH0012271687 | HELVETIA HOLDING | OWN SPECIFIC | 1,900.00 | 913,789.33 | CHF | 0.31 |
| CH001221405E | HOLCIM LTD-NOM EUR | OWN SPECIFIC | 14,972.00 | 739,092.78 | EUR | 0.25 |
| JP3854600008 | HONDA MOTOR CO LTD | OWN SPECIFIC | 142,112.00 | 3,346,166.61 | JPY | 1.12 |
| ES0148396007 | INDITEX | OWN SPECIFIC | 499,946.00 | 15,955,776.59 | EUR | 5.33 |
| US46120E6023 | INTUITIVE SURGICAL | OWN SPECIFIC | 757.00 | 639,696.52 | USD | 0.21 |
| SE0000107401 | INVESTOR A | OWN SPECIFIC | 20,691.00 | 795,664.69 | SEK | 0.27 |
| JP3496400007 | KDDI CORP | OWN SPECIFIC | 40,391.00 | 915,856.14 | JPY | 0.31 |
| JP3300600008 | KONICA MINOLTA HOLDINGS | OWN SPECIFIC | 414,118.00 | 2,778,713.27 | JPY | 0.93 |
| JP3247010006 | KYUSHU RAILWAY COMPANY | OWN SPECIFIC | 241,730.00 | 6,354,978.80 | JPY | 2.12 |
| CH0025751329 | LOGITECH INTERNATIONAL NOM | OWN SPECIFIC | 36,379.00 | 1,085,750.21 | CHF | 0.36 |
| FR0000120321 | L'OREAL SA | OWN SPECIFIC | 80,000.00 | 14,188,000.00 | EUR | 4.74 |
| FR0000121014 | LVMH MOET HENNESSY LOUIS VUITTON SE | OWN SPECIFIC | 51,976.00 | 11,447,714.00 | EUR | 3.83 |
| US5951121038 | MICRON TECHNOLOGY INC | OWN SPECIFIC | 21,394.00 | 575,293.28 | USD | 0.19 |
| JP3822000000 | MIRACA HOLDINGS INC | OWN SPECIFIC | 12,017.00 | 458,729.50 | JPY | 0.15 |
| JP3902400005 | MITSUBISHI ELECTRIC CORP | OWN SPECIFIC | 493,982.00 | 6,142,197.66 | JPY | 2.05 |
| JP3900000005 | MITSUBISHI HEAVY INDUSTRIES | OWN SPECIFIC | 1,285,916.00 | 4,136,343.88 | JPY | 1.38 |
| JP3902000003 | MITSUBISHI LOGISTICS CORP | OWN SPECIFIC | 60,469.00 | 614,624.03 | JPY | 0.21 |
| JP3902900004 | MITSUBISHI UFJ FINANCIAL GROUP | OWN SPECIFIC | 1,885,357.00 | 9,712,768.47 | JPY | 3.25 |
| DE000A0D9PT0 | MTU AERO ENGINES HLDG AG | OWN SPECIFIC | 34,555.00 | 4,063,668.00 | EUR | 1.36 |
| JP3164800009 | NOK CORP | OWN SPECIFIC | 8,239.00 | 155,775.56 | JPY | 0.05 |
| JP3165600002 | NTN CORP | OWN SPECIFIC | 17,244.00 | 58,512.16 | JPY | 0.02 |
| US69343P1057 | OIL COMPANY LUKOIL ADR 1 SH | OWN SPECIFIC | 302,565.00 | 12,788,200.23 | USD | 4.27 |
| JP3866800000 | PANASONIC CORP | OWN SPECIFIC | 259,034.00 | 2,901,133.45 | JPY | 0.97 |
| CH0021783391 | PARGESA HOLDING | OWN SPECIFIC | 8,881.00 | 603,959.30 | CHF | 0.20 |
| US7043261079 | PAYCHEX INC | OWN SPECIFIC | 127,770.00 | 6,128,962.15 | USD | 2.05 |
| GB0006825383 | PERSIMMON PLC | PGARAN | 608,170.00 | 17,526,949.87 | GBP | 5.86 |
| FR0000120578 | SANOFI | OWN SPECIFIC | 146,520.00 | 11,964,823.20 | EUR | 4.00 |
| FR0000121972 | SCHNEIDER ELECTRIC SA | PGARAN | 4,963.00 | 336,143.99 | EUR | 0.11 |

| Security code | Name of the security | Security status | Quantity | Market value | Listing currency | % Net Assets |
|---|---|---|---|---|---|---|
| SE0000148884 | SEB A | OWN SPECIFIC | 119,138.00 | 1,302,137.22 | SEK | 0.44 |
| JP3729000004 | SHINSEI BANK | OWN SPECIFIC | 1,364,306.00 | 1,835,057.04 | JPY | 0.61 |
| JP3347200002 | SHIONOGI & CO LTD | OWN SPECIFIC | 19,200.00 | 850,314.88 | JPY | 0.28 |
| DE0007236101 | SIEMENS AG-NOM | OWN SPECIFIC | 53,708.00 | 5,897,138.40 | EUR | 1.97 |
| JP3436100006 | SOFTBANK GROUP CORP | OWN SPECIFIC | 44,347.00 | 3,023,789.65 | JPY | 1.01 |
| JP3407400005 | SUMITOMO ELECTRIC INDUSTRIES | OWN SPECIFIC | 27,951.00 | 367,837.17 | JPY | 0.12 |
| JP3397200001 | SUZUKI MOTOR CORP | OWN SPECIFIC | 392,423.00 | 16,572,592.26 | JPY | 5.54 |
| JP3463000004 | TAKEDA PHARMACEUTICAL CO LTD | OWN SPECIFIC | 24,137.00 | 1,120,979.42 | JPY | 0.37 |
| JP3538800008 | TDK CORPORATION | OWN SPECIFIC | 73,231.00 | 4,124,654.39 | JPY | 1.38 |
| JP3571400005 | TOKYO ELECTRON LTD | OWN SPECIFIC | 90,274.00 | 10,665,894.59 | JPY | 3.56 |
| FR0000120271 | TOTAL | OWN SPECIFIC | 340,070.00 | 14,774,341.15 | EUR | 4.94 |
| JP3613400005 | TOYO SEIKAN KAISHA | OWN SPECIFIC | 22,815.00 | 316,113.75 | JPY | 0.11 |
| JP3635400009 | TOYOTA BOSHOKU CP | OWN SPECIFIC | 62,194.00 | 1,033,791.27 | JPY | 0.35 |
| FR0000125486 | VINCI SA | OWN SPECIFIC | 100,000.00 | 7,735,000.00 | EUR | 2.58 |
| FR0000127771 | VIVENDI | OWN SPECIFIC | 232,646.00 | 4,484,251.65 | EUR | 1.50 |
| CH0012335540 | VONTOBEL HOLDING N | OWN SPECIFIC | 32,400.00 | 1,732,650.65 | CHF | 0.58 |
| FR0000121204 | WENDEL ACT | PGARAN | 3,498.00 | 465,758.70 | EUR | 0.16 |
| FR0011981968 | WORLDLINE | PGARAN | 10,680.00 | 360,984.00 | EUR | 0.12 |
| CH0011075394 | ZURICH INSURANCE GROUP AG | OWN SPECIFIC | 637.00 | 159,953.88 | CHF | 0.05 |
| ***Total Equity*** | | | | ***310,493,961.18*** | | ***103.76*** |
| ***Total Investment Securities*** | | | | ***310,493,961.18*** | | ***103.76*** |
| ***Interest rate swap*** | | | | | | |
| SWAP03598580 | FEES LEG C EUR LYX B | OWN SPECIFIC | 1.00 | 187,946.51 | EUR | 0.06 |
| SWAP03598572 | INDEX LEG C EUR LYX | OWN SPECIFIC | 280,414,884.85 | 299,237,901.32 | EUR | 100.00 |
| SWAP03598540 | VRAC LEG LYX BRAZIL | OWN SPECIFIC | 280,414,885.90 | -284,792,500.47 | EUR | -95.17 |
| ***Total Interest rate swap*** | | | | ***14,633,347.36*** | | ***4.89*** |
| ***Cash*** | | | | | | |
| ***AT BANK OR PENDING*** | | | | | | |
| | PAYABLE ON SWAP | OWN SPECIFIC | 0.00 | -9,273,920.80 | EUR | -3.10 |
| | EUR SGP BANK | OWN SPECIFIC | 0.00 | -210,843.40 | EUR | -0.07 |

| Security code | Name of the security | Security status | Quantity | Market value | Listing currency | % Net Assets |
|---|---|---|---|---|---|---|
| | DEF. SALES EUR SECURITIES | OWN SPECIFIC | 0.00 | 9,484,764.20 | EUR | 3.17 |
| ***Total AT BANK OR PENDING*** | | | | ***0.00*** | | ***0.00*** |
| ***MANAGEMENT FEES*** | | | | | | |
| | PRCOMGESTADM | OWN SPECIFIC | 0.00 | -187,946.51 | EUR | -0.06 |
| ***Total MANAGEMENT FEES*** | | | | ***-187,946.51*** | | ***-0.06*** |
| ***Total Cash*** | | | | ***-187,946.51*** | | ***-0.06*** |
| ***Files*** | | | | | | |
| ***AD1 REME: Deposit of Collateral (File)*** | | | | | | |
| PDC-01946077 | PDC LYXODE000BASF111 | PGAR1 | -81.37 | -81.37 | EUR | -0.00 |
| PDC-01946082 | PDC LYXODE000BAY0017 | PGAR1 | -107.50 | -107.50 | EUR | -0.00 |
| PDC-01946094 | PDC LYXODE000CBK1001 | PGAR1 | -775,368.36 | -775,368.36 | EUR | -0.26 |
| PDC-01946100 | PDC LYXODE0006062144 | PGAR1 | -266,614.39 | -266,614.39 | EUR | -0.09 |
| PDC-01946071 | PDC LYXOFR0000120073 | PGAR1 | -50,044.40 | -50,044.40 | EUR | -0.02 |
| PDC-01946118 | PDC LYXOFR0000121204 | PGAR1 | -465,758.70 | -465,758.70 | EUR | -0.16 |
| PDC-01946112 | PDC LYXOFR0000121972 | PGAR1 | -336,143.99 | -336,143.99 | EUR | -0.11 |
| PDC-01946088 | PDC LYXOFR0000131104 | PGAR1 | -5,919,408.11 | -5,919,408.11 | EUR | -1.98 |
| PDC-01946124 | PDC LYXOFR0011981968 | PGAR1 | -360,984.00 | -360,984.00 | EUR | -0.12 |
| PDC-01946106 | PDC LYXOGB0006825383 | PGAR1 | -16,171,240.30 | -17,526,949.87 | GBP | -5.86 |
| ***Total AD1 REME: Deposit of Collateral (File)*** | | | | ***-25,701,460.69*** | | ***-8.59*** |
| ***Total Files*** | | | | ***-25,701,460.69*** | | ***-8.59*** |
| **Total LYXOR BRAZIL (IBOVESPA) UCITS ETF** | | | | **299,237,901.34** | | **100.00** |

APPENDIX TO THE REPORT
intended for Swiss subscribers

This appendix makes the annual report with the FINMA requirements for the marketing in Switzerland. **It has not been certified by the accountants.**

Country of origin of the Fund
France.

Representative of the Swiss Fund
Société Générale, Paris, Zurich Branch, has been authorised by the FINMA as the Fund's representative in Switzerland while also assuming the payment service. The prospectus, articles of association, annual and semi-annual reports of the Fund, the KIIDs as well as the list of purchases and sales made by the Fund during the fiscal year can be obtained on request and at no cost from the representative's head office in Switzerland, Société Générale, Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich.

Calculation of the Total Expense Ratio (in compliance with the recommendations of the Swiss Funds & Asset Management Association SFAMA)

Annual closing of the collective investment: 31-August

Management commission of the OPCVM 0.65 % including tax

Average assets of the fund for the period from 01/09/16 to 31/08/17: 283,986,491.92

Excerpt from the income statement

| Expenses in euros | Annual report | Half-yearly report | Annual report |
|---|---|---|---|
| | 31/08/2016 | 28/02/2017 | 31/08/2017 |
| Fund management commission | 1,386,346.87 | 793,922.81 | 1,850,270.60 |
| Performance fee to be paid to the manager of collective investments of capital | 0.00 | 0.00 | 0.00 |
| Depository bank commission | 0.00 | 0.00 | 0.00 |
| Other expenses | 0.00 | 0.00 | 0.00 |
| Taxes | 0.00 | 0.00 | 0.00 |
| Total operating expenses | 1,386,346.87 | 793,922.81 | 1,850,270.60 |

**Calculation of the TER for 12 months, from 01/09/16 to 31/08/17:**

TER, including performance fee

1,850,270.60 / 283,986,491.91 * 100

TER **0.65** %

Performance fee as a share in percentage of the net average assets:

**0.00** %

Performance of the fund

The details of the performances of the Fund's units calculated in compliance with the principles of the Swiss Fund Association are given below:

| | Annual performance from 31/08/2016 to 31/08/2017 | Annual performance from 31/08/2015 to 31/08/2016 | Annual performance from 29/08/2014 to 31/08/2015 |
|---|---|---|---|
| **LYXOR BRAZIL (IBOVESPA) UCITS ETF** | | | |
| Unit C-EUR | +16.60% | -8.48% | -45.67% |
| **IBOVESPA TOTAL RETURN (BRL)** | | | |
| Unit C-EUR | +22.34% | 24.18% | -23.92% |

Past performances are no indicator of future performances. The performances indicated here do not take into account the impact of possible subscription and redemption commissions and costs of Fund units.