

# SG Quality Income

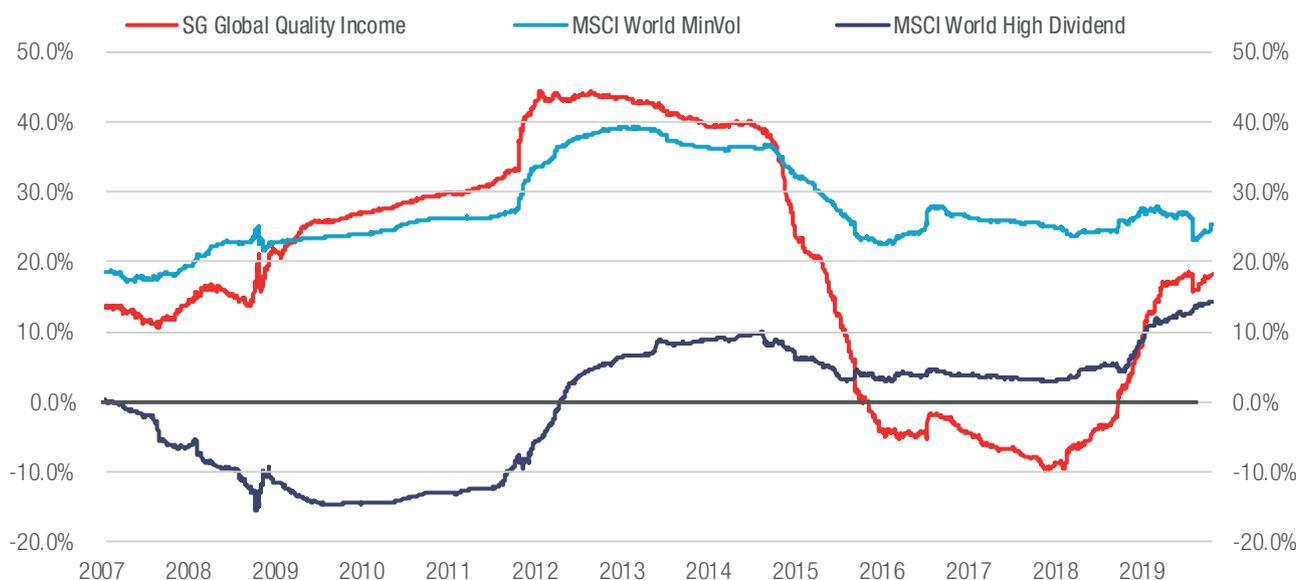
Hunting for yield with less risk

The SG Quality Income indices developed by Andrew Laphorne focus on companies economically able to sustain the payment of high dividends. This ability is assessed through rigorous quality metrics and balance sheet strength.

## Better outcomes

Using quality and income filters can, in our view, lead to better results. The global strategy has historically offered a higher yield, less risk and better performance than the MSCI World index, particularly in times of market drawdown. The strategy is on average 20%\* less volatile than an allocation to the MSCI World Index.

### Volatility reduction vs. MSCI World Index



Source: Lyxor International Asset Management, Bloomberg. Data as at 07/10/2019. Performance shown prior to 15 May 2012 is a back test. Performance does not include transaction costs. Past performance is not indicative of future performance. 3 years rolling volatility based on daily returns. Sample period starts on 01/01/2004. Data as at 08/10/2019.  
\*long term average of 3 years rolling volatility

### Yield, volatility and returns (10y)

	SG Global Quality Income	MSCI World	MSCI World Minimum Volatility	MSCI World High Yield
Yield	87.9%	58.3%	71.8%	80.6%
Annualised volatility	10.0%	12.8%	10.3%	12.3%
Total return	165.1%	217.6%	263.2%	189.2%

Source: SG Cross Asset Research/ Equity Quant. Data as at end of September 2019. Past performance is not indicative of future performance.

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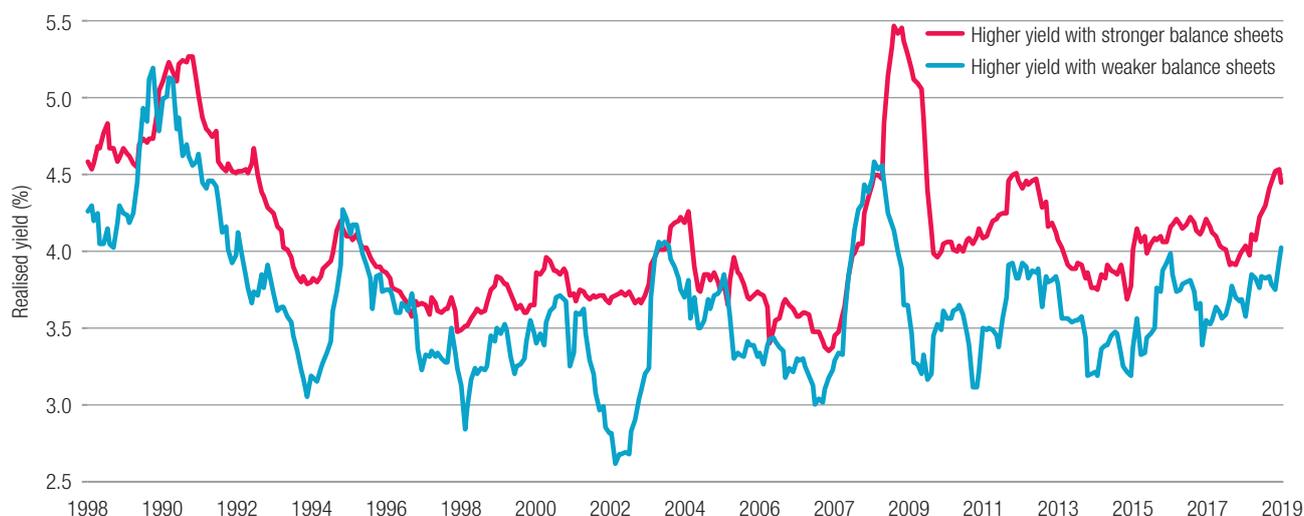
Contact us  
www.lyxoretf.com

## Our philosophy

- ▶ The SG Quality Income index seeks exposure to the **better quality companies** as a subset of the high yield equity universe
- ▶ SGQI exhibits **bond-like characteristics** (income and capital safety) with **equity-like returns** (capital growth and potential inflation protection)
- ▶ High quality dividend income is **less likely to fall in a downturn** and more likely to rise during periods of inflation. We feel the strategy is therefore more robust in times of macroeconomic uncertainty.



## Comparison of realised yields for high and low quality companies

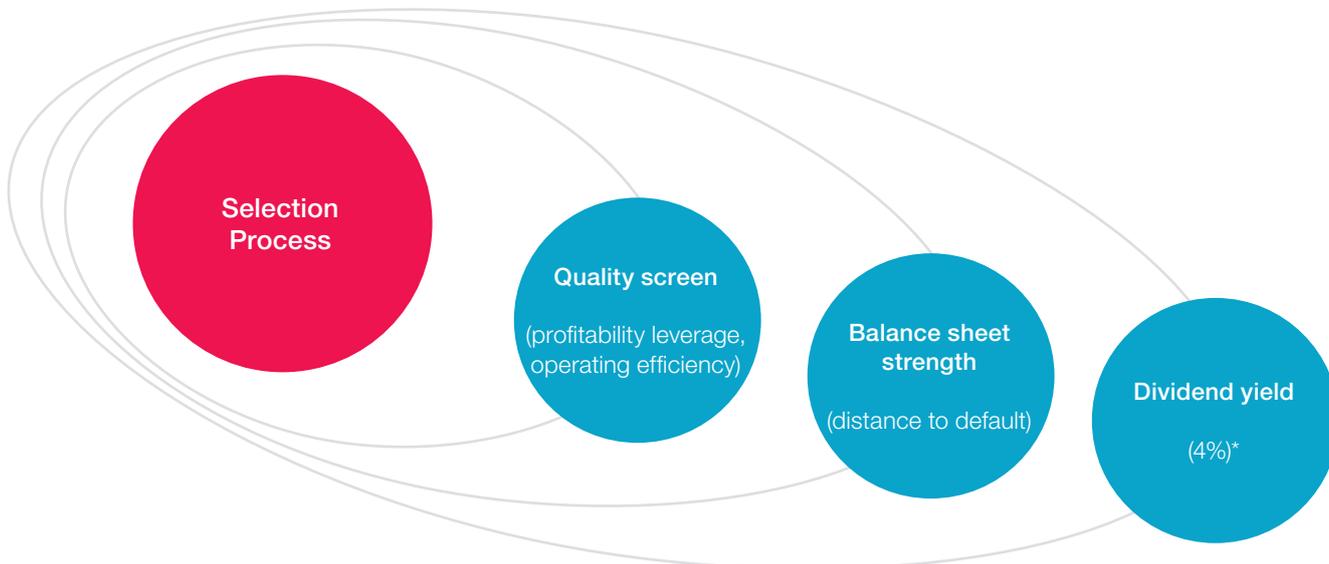


Source: SG Cross Asset research/ Equity Quant. Data as at 30/04/2019. Past performance is not a reliable indicator of future results.

## Building a smarter index

Each stock is assessed in a three step scoring process:

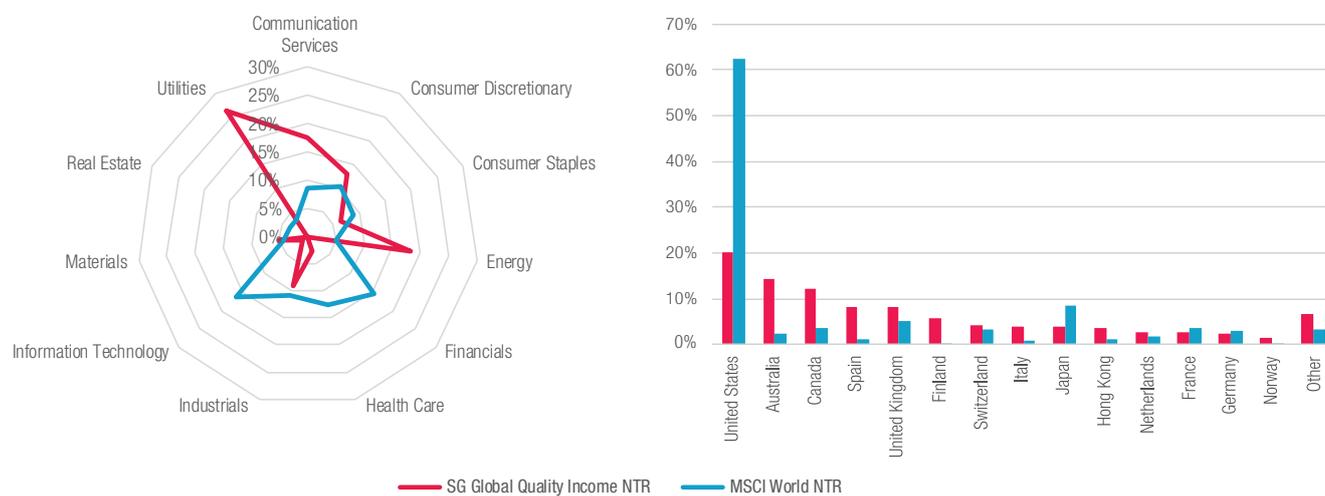
- ▶ **Piotroski scoring:** Its nine-point quality test sets the standard when it comes to defining just how strong a company is
- ▶ **Merton's 'Distance to Default Model':** It assesses the balance sheet strength. This mathematical measure implies that a company is worthless and will go bankrupt when the value of its debt is greater than the value of its assets
- ▶ **Dividend yield:** it rules out companies with dividend yields lower than 4%\*



\*Yield thresholds may be relaxed in order to ensure minimum number of stocks in the index is reached. Detailed index methodology available on request.

By only selecting high quality dividend payers, the SG Quality Income portfolio looks naturally different from its benchmark

## Sector and countries breakdown vs. MSCI World



Source: Lyxor International Asset Management, Bloomberg, data as at 30 September 2019.

ETF Name	Main ticker	Trading currencies	Dividend policy	TER*
Lyxor SG Global Quality Income NTR UCITS ETF	SGQI	EUR, USD, GBP	Capitalising or Distributing	0.45%
Lyxor SG Global Quality Income NTR – GBP Monthly Hedged UCITS ETF	SGQX	GBP	Capitalising	0.45%
Lyxor SG European Quality Income NTR UCITS ETF	SGQE	EUR, GBP	Distributing	0.45%

\*TER as at May 2019. Source: Lyxor International Asset Management.

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## Why Lyxor for SG Quality Income?



### Accomplished

€1.4bn in assets invested  
in our SG Quality  
Income range<sup>1</sup>



### Quality

Target quality stocks for  
sustainable and  
dependable income



### Dependable

Our track record of running  
quality income ETFs dates  
back to 2012

Source: Lyxor International Asset Management.

<sup>1</sup>Data as at 07/10/2019.

## Knowing your risk

It is important for potential investors to evaluate the risks described below and in the fund prospectus on our website [www.lyxoretf.com](http://www.lyxoretf.com)

### Capital at risk

ETFs are tracking instruments: Their risk profile is similar to a direct investment in the Underlying index. Investors' capital is fully at risk and investors may not get back the amount originally invested.

### Replication risk

The fund objectives might not be reached due to unexpected events on the underlying markets which will impact the index calculation and the efficient fund replication.

### Counterparty risk

With synthetic ETFs, investors are exposed to risks resulting from the use of an OTC swap with Société Générale. In-line with UCITS guidelines, the exposure to Société Générale cannot exceed 10% of the total fund assets. Physically replicated ETFs may have counterparty risk if they use a securities lending programme.

### Underlying risk

The Underlying index of a Lyxor ETF may be complex and volatile. For example, when investing in commodities, the Underlying index is calculated with reference to commodity futures contracts exposing the investor to a liquidity risk linked to costs such as cost of carry and transportation. ETFs exposed to Emerging Markets carry a greater risk of potential loss than investment in Developed Markets as they are exposed to a wide range of unpredictable Emerging Market risks.

## Important information

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Alternatively, some of the funds described in this document are either (i) French FCPs (fonds commun de placement) or (ii) sub-funds of Multi Units France a French SICAV, both the French FCPs and sub-funds of Multi Units France are incorporated under the French Law and approved by the French Autorité des marchés financiers. Each fund complies with the UCITS Directive (2009/65/CE), and has been approved by the French Autorité des marchés financiers. Société Générale and Lyxor AM recommend that investors read carefully the "risk factors" section of the product's prospectus and Key Investor Information Document (KIID). The prospectus and the KIID are available in French on the website of the AMF ([www.amf-france.org](http://www.amf-france.org)). The prospectus in English and the KIID in the relevant local language (for all the countries referred to, in this document as a country in which a public offer of the product is authorised) are available free of charge on [lyxoretf.com](http://lyxoretf.com) or upon request to [client-services-etf@lyxor.com](mailto:client-services-etf@lyxor.com). The products are the object of market-making contracts, the purpose of which is to ensure the liquidity of the products on NYSE Euronext Paris, Deutsche Boerse (Xetra) and the London Stock Exchange, assuming normal market conditions and normally functioning computer systems. Units of a specific UCITS ETF managed by an asset manager and purchased on the secondary market cannot usually be sold directly back to the asset manager itself. Investors must buy and sell units on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying units and may receive less than the current net asset value when selling them. Updated composition of the product's investment

### Currency risk

ETFs may be exposed to currency risk if the ETF is denominated in a currency different to that of the Underlying index they are tracking. This means that exchange rate fluctuations could have a negative or positive effect on returns.

### Liquidity risk

Liquidity is provided by registered market-makers on the respective stock exchange where the ETF is listed, including Société Générale. On exchange, liquidity may be limited as a result of a suspension in the underlying market represented by the Underlying index tracked by the ETF; a failure in the systems of one of the relevant stock exchanges, or other market-maker systems; or an abnormal trading situation or event

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portfolio is available on [www.lyxoretf.com](http://www.lyxoretf.com). In addition, the indicative net asset value is published on the Reuters and Bloomberg pages of the product, and might also be mentioned on the websites of the stock exchanges where the product is listed. Prior to investing in the product, investors should seek independent financial, tax, accounting and legal advice. It is each investor's responsibility to ascertain that it is authorised to subscribe, or invest into this product. This document together with the prospectus and/or more generally any information or documents with respect to or in connection with the Fund does not constitute an offer for sale or solicitation of an offer for sale in any jurisdiction (i) in which such offer or solicitation is not authorized, (ii) in which the person making such offer or solicitation is not qualified to do so, or (iii) to any person to whom it is unlawful to make such offer or solicitation. In addition, the shares are not registered under the U.S Securities Act of 1933 and may not be directly or indirectly offered or sold in the United States (including its territories or possessions) or to or for the benefit of a U.S Person (being a "United States Person" within the meaning of Regulation S under the Securities Act of 1933 of the United States, as amended, and/or any person not included in the definition of "Non-United States Person" within the meaning of Section 4.7 (a) (1) (iv) of the rules of the U.S. Commodity Futures Trading Commission.). No U.S federal or state securities commission has reviewed or approved this document and more generally any documents with respect to or in connection with the fund. Any representation to the contrary is a criminal offence. This document is of a commercial nature and not of a regulatory nature. This document does not constitute an offer, or an invitation to make an offer, from Société Générale, Lyxor Asset Management (together with its affiliates, Lyxor AM) or any of their respective subsidiaries to purchase or sell the product referred to herein. These funds include a risk of capital loss. The redemption value of this fund may be less than the amount initially invested. The value of this fund can go down as well as up and the return upon the investment will therefore necessarily be variable. In a worst case scenario, investors could sustain the loss of their entire investment. This document is confidential and may be neither communicated to any third party (with the exception of external advisors on the condition that they themselves respect this confidentiality undertaking) nor copied in whole or in part, without the prior written consent of Lyxor AM or Société Générale. The obtaining of the tax advantages or treatments defined in this document (as the case may be) depends on each investor's particular tax status, the jurisdiction from which it invests as well as applicable laws. This tax treatment can be modified at any time. We recommend to investors who wish to obtain further information on their tax status that they seek assistance from their tax advisor. The attention of the investor is drawn to the fact that the net asset value stated in this document (as the case may be) cannot be used as a basis for subscriptions and/or redemptions. The market information displayed in this document is based on data at a given moment and may change from time to time.