ASSET MANAGEMENT BY LYXOR

- Press release -

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Findings in Lyxor's latest research uncover the potential extreme risks of betting against the market.

Lyxor Asset Management's latest Research White Paper analyzes the risk/return profile of dynamic investment strategies, specifically those implemented by Hedge Funds. We seek to answer the question: how is it possible for funds that have performed consistently to tumble in just a few months? Are these brutal reversals only attributable to market factors or are certain investment behaviors also to blame? Note that so-called extreme risks refer to the possibility of infrequent but important losses.

Lyxor's research shows that strategies that bet against the market are generally exposed to extreme risks, whereas strategies that follow market trends offer a more contained risk profile. To illustrate this, the White Paper looks at the mechanisms by which such widespread investment strategies as *Dollar Cost Averaging* (DCA) or the systematic search for *Entry Points* may lead to bankruptcy if associated risks are not identified and contained.

Lyxor conducted a systematic analysis of investment strategies as applied to a single underlying asset. Dynamic strategies were classified as either trend-following or contrarian. The results revealed the extent to which these groups have opposite risk characteristics. Contrarian strategies (e.g. purchasing assets when prices are going down) do have a high potential for profits, but are, in return, exposed to extreme risks in an adverse market scenario. To mitigate this, it is necessary to set strict stop loss limits or other mechanisms to reduce positions once a given loss level is reached. Conversely, our research shows that strategies that following market trends may offer more moderate profit potential, but also more limited exposure to extreme risk. In practice, trend-following strategies such as those used by CTA (Commodity Trading Advisor) funds reacted remarkably well to the 2008 crisis.

This White Paper also answers a number of other questions including:

- Which strategies benefit from market volatility?
- What are the best and worse possible scenarios for a given strategy?
- What risks are associated with strategies that play the mean-reversion theme?

Through this analysis, we hope to shed some light on the factors that drive the overall risk profile of a given strategy and to explain when and why a given strategy will obtain positive results.

Reference:

Bruder B. and Gaussel. N (2011), Risk-Return Analysis of Dynamic Investment Strategies, *Lyxor White Paper Series*, Issue 7.

PRESS RELATIONS
LYXOR ASSET MANAGEMENT

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LYXOR ASSET MANAGEMENT
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Lyxor Asset Management - www.lyxor.com

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- Alternative Investments: Lyxor offers a broad range of hedge funds, funds of hedge funds and absolute return funds, adhering to high risk-management standards and rigorous hedge fund manager selection guidelines. Lyxor gained its prominence with its hedge fund platform. This platform includes more than 100 hedge funds covering all principal strategies and represents a diversified investment universe benefiting from a high level of transparency, security and liquidity.

- Structured and Quantitative Management: Lyxor offers investment solutions to its customers adapted to their risk profiles and return objectives. These solutions integrate the innovations of the Group into this domain, world number 1 as regards structured products on equity.

- Index Tracking: Lyxor offers one of the most diversified and liquid range of ETF (Exchange Traded Funds). The company is one of the top players of the European ETF industry. Lyxor ETFs are listed in Europe and Asia and reflect Equity, Bond and Commodity markets. www.lyxoretf.com

*AUMs as of June 30th, 2011