CTAs THRIVE ON REFLATION AND CRUDE OIL TRENDS

>> The Lyxor Hedge Fund Index was up +1.3% in November (YTD +0.1%). 8 out of 12 Lyxor Indices ended the month in positive territory, led by the Lyxor CTA Long Term Index (+7.8%), the Lyxor CTA Long Term Index (+5.9%), the Lyxor Special Situation Index (+3.0%) and the Lyxor Lyxor L/S Equity Market Neutral Index (+1.6%).

>> The rally that started in mid-October extended throughout November without affecting major sovereign bonds. Risky assets were supported by a reflation momentum in Japan, China and, prospectively, in Europe. Meanwhile the acceleration of the plunge in crude oil prices triggered a cross-asset repositioning, offering numerous thematic trades. CTAs delivered an impressive +7.8% over the month, followed by their ST models peers, the Special Situations and the L/S Equity Long bias funds. Credit strategies lagged over the month.

>> L/S equity funds recorded strong performances both on beta and alpha. Number of macro-driven themes resulted in clear sectors repositioning, and alpha generation. Funds held meaningful stakes in DM Consumer sectors which outperformed as a result from lower oil prices. Industrials stocks were reweighted by US managers on firming economic traction. Sectors sensitive to rising rates also progressed. They boosted positions on utilities or high dividend companies. In contrast, exposures to the financial sector only mildly progressed. Positive reflation trends were offset by yield curve flattening and regulation concerns in the US. Energy was a major differentiator. European funds outperformed US funds thanks to their short exposure to the sector, held since the end of the summer. US funds were slower to cut their energy positions over the month.
Japanese funds outperformed both their US and European peers. They benefited from the BoJ intervention and confirmations of a general election and the postponement of the second consumption tax hike. Japanese funds adequately started to take profit by month-end and continued to rotate their portfolios toward larger caps. EM markets were more challenging amid weakening commodities, strengthening USD, and flows favoring G3 markets. EM funds' returns were milder. Their portfolio repositioning toward the Asian financial sector is consistent with anticipations of further PBoC easing. Finally, higher dispersion and a greater focus on earnings releases (somewhat ignored during the correction) benefited market neutral funds. The Quality, Earning, and Contrarian quantitative factors also provided healthy opportunities.

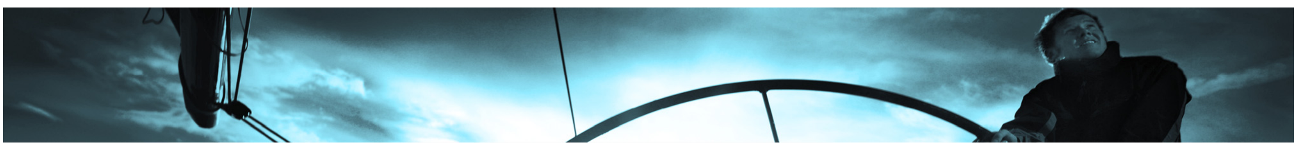
>> Event Driven funds generated strong performances, with elevated dispersion. Funds focusing on the most liquid situations (merger, activist large cap positions) outperformed the ones focusing on smaller, distressed and HY issues. The plunge in crude oil was an obvious drag, but managers had cut about a third of their exposure in October, and continued to trim the sector in November. The merger space enjoyed a rapid recovery. The reset in deal spreads during the correction cleared the way for a fresh tightening round. Besides the Actavis takeover and Medtronics' reasserted intent to acquire Covidient boosted the Healthcare M&A space. Fading risk aversion offered a nice rally to most activist positions. Some concessions granted to GSEs in the final strategic plan were also favorable. Finally, several idiosyncratic developments played out favorably. Hertz, for instance, was boosted by the appointment of a new CEO and renewed capital commitment from Icahn. On balance, Event Driven portfolios were little changed over the month.

>> Credit funds continued to bleed in November, despite weakening yields. Persisting deflation threats and uncertainties ahead of the Fed cycle kept investors away from credit and illiquids. Besides, the energy sector meltdown reverberated in US as well as in EM credit markets. European funds outperformed on a mild spread tightening/ Periphery trades endured volatility but an overall positive ECB outcome prevailed. Credit funds continued to reduce their net exposure, especially in the US, pretty much across all sectors. Convertible Arbitrage slightly outperformed their credit peers. Pressure on high yield assets, disappointing issuance and their credit exposure was only partially offset by their positive delta exposure.

>> CTAs yet again delivered exceptional returns this month, owing to a powerful combination of macro and market moves. Reflation trends came as a boost to both equities and bonds, where lies the bulk of their exposures. In turn, the widening economic divergence between the US vs. the rest of the world continued to offer favorable trends in USD crosses. Finally the persisting plunge in crude oil since the summer came as icing on the cake. Reversals in soft commodities were a marginal drag. Returns contribution was diversified across assets. On balance, models have gradually reduced their short energy, long USD and long US bonds; they have increased their long EU bonds and long US equities exposures.

>> Global Macro funds were cautiously positioned on risky assets. They recorded – hedged - positive returns. The strong performance produced on equities was partially offset by their implicit DM short bond hedge. Their bull stance on USD marginally played out. They didn't participate to the outright crude plunge, but successfully played it through relative value trades. Skeptical on Abenomics, they finally jumped on the BoJ reflation bandwagon. They have rebuilt both some of their Japanese and Asian exposures.

>> "Macro liquidity remains abundant. But thinner market liquidity, deflation risks and uncertain central banks' pace are prone to more frequent rotations. We favor diversified exposure to liquid risky assets.", says Jean-Baptiste Berthon, senior cross asset strategist at Lyxor AM.



THE ALTERNATIVE INVESTMENT INDUSTRY BAROMETER

Lyxor Hedge Fund Indices

Leveraging on the breadth and diversification of the Lyxor Managed Account Platform, the Index performance aims to be the most representative of the hedge fund industry. The Lyxor Hedge Indices are composed of funds selected by Lyxor Asset Management, available on its leading Managed Account Platform that covers all the major hedge fund strategies and benefits from a high level of transparency and risk control, while ensuring weekly liquidity. These Indices are investable, asset-weighted indices, designed to offer investors straightforward access to hedge fund performance. The Lyxor Hedge Fund Index range comprises 15 indices from global to mono-strategy or thematic indices. The Lyxor Hedge Fund Index (Global Index) reflects the average performance of all 13 strategy indices, thereby offering direct exposure to the global hedge fund universe.

Lyxor Hedge Fund Indices	Bloomberg Ticker	November 2014 Performance*	YTD Performance*
Global Index			
Lyxor Hedge Fund Index	LYXRHFI	+1.28%	+0.11%
Strategy Indices			
Lyxor L/S Equity Long Bias Index	LYXRLSLB	+1.24%	-0.18%
Lyxor L/S Equity Market Neutral Index	LYXRLSMN	+1.56%	+8.03%
Lyxor L/S Equity Variable Bias Index	LYXRLSVR	+0.61%	+0.43%
Lyxor Convertible & Volatility Arbitrage Index	LYXRCB	-0.23%	+0.25%
Lyxor Merger Arbitrage Index	LYXRMNA	+0.65%	-2.88%
Lyxor Special Situations Index	LYXRSPEC	+2.97%	-1.07%
Lyxor L/S Credit Arbitrage Index	LYXRCRDT	-1.52%	+0.45%
Lyxor Fixed Income Arbitrage Index	LYXRFIAR	-1.77%	+5.50%
Lyxor CTA Long Term Index	LYXRCTAL	+7.75%	+16.69%
Lyxor CTA Short Term Index	LYXRCTAS	+5.92%	+6.87%
Lyxor Global Macro Index	LYXRMACR	+0.10%	-0.97%
Thematic Index			
Lyxor Credit Strategies Index	LYXRCDTS	-1.26%	+1.72%

(*) MTD returns are based on performance from the last estimated NAV of the previous month until the last estimated NAV of the reported month. YTD returns are from December 31st, 2013 through November 28th, 2014.

THE ALTERNATIVE INVESTMENT INDUSTRY BAROMETER

Below is a brief description of the Lyxor Hedge Fund Strategy Indices:

Special Situations is a strategy that encompasses a combination of investment processes targeting equities or bonds whose valuation is altered by a special situation such as spin-offs, industry consolidations, liquidations, reorganizations, share buybacks and other extraordinary corporate transactions that generate investment opportunities.

Merger Arbitrage is a strategy that primarily consists of investing in equities involved in merger/acquisition operations and aims to take advantage of the spread between the price bid for the takeover and the price observed in the market.

Distressed Securities is a strategy that consists of investing in (or selling short) securities of companies for which the price has been, or is expected to be, affected by a distressed situation (e.g., pre- or post- bankruptcy).

Convertible Bonds and Volatility Arbitrage are strategies that aim to take advantage of volatility arbitrage opportunities by investing in various financial instruments. Convertible Bonds funds primarily invest in convertible bonds and discretionarily hedge some of the underlying risk factors (interest rate risk, credit risk, market risk) in order to gain exposure to volatility and/or credit risk at a very attractive price.

Fixed Income Arbitrage is a strategy that aims to take advantage of pricing anomalies between fixed income securities, sectors, markets and yield curves.

L/S Credit Arbitrage strategy is a directional strategy that involves buying bonds and credit and fixed income derivative instruments that are expected to appreciate and selling the ones that are expected to depreciate.

Global Macro is a strategy that aims to take advantage of expected macroeconomic trends and may invest in all types of markets and instruments.

CTAs Long Term is a strategy that aims to capture price movements in fixed income, equity, currency and commodity markets with the use of systematic trading models.

CTAs Short Term is a strategy that aims to capture short term price movements in fixed income, equity, currency and commodity market with the use of systematic trading models.

L/S Equity Variable Bias is a directional strategy that primarily involves buying equities and equity derivatives that are expected to appreciate and selling those that are expected to depreciate. The portfolio's net exposure to the market (possibly net long, net short or market neutral) will be actively managed depending on the manager's expectations.

L/S Equity Long Bias is a directional strategy that primarily involves buying equities and equity derivatives that are expected to appreciate and selling those that are expected to depreciate, while structurally maintaining a net long exposure to the equity market.

L/S Equity Market Neutral is a strategy that primarily involves buying equities and equity derivatives that are expected to appreciate and selling those that are expected to depreciate while generally neutralizing broad equity market risks.

L/S Equity Statistical Arbitrage is a strategy that primarily consists of investing in some equities and selling short other equities. The security selection approach is typically based on quantitative analysis of either fundamentals, prices, or a combination of the two. This strategy typically seeks to offer limited exposure to equity market risks.

Lyxor Credit Strategies Index aims to measure the performance of hedge funds following any type of credit and fixed income related strategies: take advantage of pricing anomalies between fixed income securities, sector, market and yield curves, buying bonds or credit or fixed income derivative instruments that are expected to appreciate and selling the ones that are expected to depreciate.

Each index is reviewed and rebalanced on a monthly basis in line with investment guidelines, the evolution of assets under management and the liquidity constraints. Owned by Société Générale Index, the indices are calculated and published on a daily basis by Standard and Poors on Bloomberg and Reuters.

A dedicated website www.lyxorhedgeindices.com provides monthly factsheets, valuations, performance and methodology and performance analysis.

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The SGI range of indices covers a wide scope of assets, including equities, interest rates, credit, commodities, and foreign exchange, which are either structured as cross-asset allocations or single-asset strategies. All SGI indices are structured with the aim of providing an adequate tradeoff between liquidity and performance. The SGI range of indices targets the growing market demand for absolute and uncorrelated return engines, quantitative strategies, and niches of growth such as alternative energy, water or sustainable investments.

Lyxor Asset Management - www.lyxor.com

The expert in all modern investment techniques

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Lyxor offers customized investment management services in ETFs & Indexing, Absolute Return & Solutions, Alternatives & Multi-Management.

Driven by acknowledged research, advanced risk-management and a passion for client satisfaction, Lyxor's investment specialists strive to deliver sustainable performance across all asset classes.

** Equivalent to US$ 120bn – Assets under management and advisory as of October 31st, 2014.*

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