

EXCHANGE TRADED FUNDS BY

LYXOR

SOCIETE GENERALE GROUP

**LYXOR ETF FTSE RAFI EUROPE**

**AUDITOR'S REPORT  
ON THE ANNUAL ACCOUNTS**

**Fiscal year closing on 31 August 2010**

# Contents

<i>Information on the investments and management .....</i>	<i>3</i>
<i>Management policy .....</i>	<i>10</i>
<i>Auditor's report .....</i>	<i>11</i>
<i>Annual accounts.....</i>	<i>13</i>
<i>Balance sheet.....</i>	<i>14</i>
<i>Assets .....</i>	<i>14</i>
<i>Liabilities .....</i>	<i>15</i>
<i>Off-balance sheet commitments.....</i>	<i>16</i>
<i>Profit and loss account.....</i>	<i>17</i>
<i>Appendix .....</i>	<i>18</i>
<i>Accounting rules and methods.....</i>	<i>18</i>
<i>Evolution of the net assets .....</i>	<i>23</i>
<i>Information supplements.....</i>	<i>24</i>
<i>UCITS inventory.....</i>	<i>34</i>

<b>Management company</b>	LYXOR INTERNATIONAL ASSET MANAGEMENT 17, cours Valmy - 92800 Puteaux.
<b>Depository and Custodian</b>	SOCIÉTÉ GÉNÉRALE Tour Granite - 75886 Paris Cedex 18.
<b>Underwriters</b>	SOCIÉTÉ GÉNÉRALE Tour Granite - 75886 Paris Cedex 18.
<b>Statutory auditors</b>	PRICEWATERHOUSE COOPERS AUDIT 63, rue de Villiers - 92208 Neuilly-sur-Seine Cedex.

### **INFORMATION ON THE INVESTMENTS AND MANAGEMENT**

**Classification:** Equities of the countries of the European Community.

The MF is an index-based strategy fund.

**Allocation of the earnings:** The management company reserves the right to capitalise and/or distribute all or part of the revenues. Posting according to the collected coupons method.

**Management objective:** The MF's management objective is to reproduce the performance of the FTSE RAFI EUROPE™ strategy index (cf. "Benchmark Indicator" section), whatever its evolution may be, while insofar as possible minimizing the tracking error between the MF's performances and those of the FTSE RAFI EUROPE™ strategy index.

The tracking error objective, calculated over a period of 52 weeks, is less than 1%.

Should the tracking error nevertheless be higher than 1%, the objective is still to remain below 5% of the volatility of the FTSE RAFI EUROPE™ strategy index.

**Benchmark indicator:** The benchmark indicator is the Price Return index, listed in Euros (EUR), increased by the dividends possibly collected by the fund pursuant to the holding of the shares comprising the index.

The FTSE RAFI EUROPE™ strategy index is an equity index calculated and maintained jointly by the supplier of international indices FTSE and Research Affiliates LLC, a management research institution and partner of FTSE. The strategy index is published by FTSE.

The FTSE RAFI EUROPE™ strategy index is exclusively comprised of European securities selected on an annual basis within the universe of European securities in the FTSE RAFI Global ex US 1000 Index. For example, on 31 October 2006, the FTSE RAFI EUROPE™ represented more than 90% of the Dow Jones Stoxx 600 (SXXP) index.

The FTSE RAFI EUROPE™ strategy index is part of the range of so-called "fundamental" FTSE RAFI indices.

The FTSE RAFI methodology is based on a quantitative analysis rule intended to assess and select underlying securities according to fundamental criteria. Eligible securities are individually assessed and ranked on the basis of a coefficient calculated according to 4 company analysis factors: sales, results and margins, company valuation and dividends. These criteria are part of a long-term analysis of the companies.

Securities representing the highest coefficients (defined above) are selected within the strategy index. Each security's weighting is determined on the basis of the calculated coefficient and stock market capitalisation.

The FTSE RAFI strategy indices are analysed and re-balanced each year in March. The FTSE RAFI methodology and its calculation method entail the index being made up of a variable number of companies.

The FTSE RAFI EUROPE™ strategy index was created on 4 May 2006 and its starting value was set on a basis of EUR 5000 on 30 December 2005.

The FTSE RAFI EUROPE™ strategy index represents more than 90% of the stock market capitalisation of its reference market.

The complete construction methodology for the FTSE RAFI strategy indices is available on the FTSE web site [www.ftse.com](http://www.ftse.com).

The monitored performance is that of the index closing prices.

### **PUBLICATION OF THE FTSE RAFI EUROPE™ STRATEGY INDEX**

The official FTSE RAFI strategy indices are calculated each day at the time of the closing while using the official closing prices from the stock markets in which the constituent securities are listed.

The FTSE RAFI EUROPE™ strategy index is also calculated in real-time on each Trading day.

FTSE RAFI EUROPE™ strategy index is available in real-time via Reuters and Bloomberg.

Via Reuters: .FTFREU

Via Bloomberg: FREU

The closing price of the FTSE RAFI EUROPE™ strategy index is available on the FTSE Internet site: [www.ftse.com](http://www.ftse.com).

**Investment strategy:**

**1. Strategy employed**

The MF will comply with the investment rules dictated by the European directive n° 85/611/EEC dated 20 December 1985, amended by directives n° 2001/107/EC and 2001/108/EC.

In order to provide the greatest possible correlation with the performance of the FTSE RAFI EUROPE™ strategy index, the MF will purchase a basket of international shares and, up to a limit of 10% of its assets, a forward exchange contract negotiated over-the-counter involving shares and indices so as to transform the exposure to the shares that are the MF's assets into an exposure to the FTSE RAFI EUROPE™ strategy index.

The shares held as assets by the MF will notably be shares that make up the FTSE RAFI EUROPE™ strategy index, as well as other international shares, from all economic sectors, listed on all markets, including the small capitalisation markets.

The equities included in the MF's assets will be chosen so as to limit the costs related to the replication of the strategy index and so as to obtain an evolution of the basket of shares close to the evolution of the FTSE RAFI EUROPE™ strategy index.

The MF will therefore be at least 75% invested on one or more equity markets in one or more countries of the Euro zone and exposed to the FTSE RAFI EUROPE™ strategy index.

The MF's risk diversification rules can be assessed only by taking into consideration the underlying assets of the derivative instruments, including integrated derivatives. The MF can therefore be invested in non-diversified balance sheet assets provided that, after taking into consideration the underlying assets of the derivative instruments, the net exposure to the underlying assets complies with the diversification rules.

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

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

The MF manages, in compliance with the ratios contained in the regulation, international shares (from all economic sectors, listed on all markets), for up to 100% of the net assets.

For up to 10% of its net assets, the fund can invest in the assets of UCITS that comply with Directive 85/611/ECC UCITS as amended according to Directives 2001/107/EC and 2001/108/EC.

As part of a 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.

The MF can invest in undertakings for collective investment in transferable securities that comply with Directive 85/611/EC as amended by Directives 2001/107/EC and 2001/108/EC (UCITS Directive) and in other undertakings for collective investment within the meaning of article 19(1)(e) of the UCITS Directive up to a limit of 10% of the net assets.

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

Up to the limit of 10% of its net assets, the MF will have recourse to equity-linked swaps negotiated over-the-counter, exchanging the value of the securities held as assets by the MF (or of any other financial instrument held as assets by the MF, where appropriate) against the value of the FTSE RAFI EUROPE™ strategy index.

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 reach the management objective, for example including forward financial instruments other than equity-linked swaps.

This contract can be negotiated with the Société Générale, without open competition involving several counterparties. In order to limit the risk that such instruments might not be carried out under the best conditions, the Société Générale has accepted to include the MF in the “professional customer” category, which is more protective than the “eligible counterparty” category. When there is no open competition between several counterparties, the manager also requires the Société Générale to contractually commit to undertaking all reasonable measures in order to obtain, when placing orders, the best possible result for the MF, in compliance with article L. 533-18 of the [French] Monetary and Financial Code.

### **4. Securities with integrated derivatives**

None.

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 in order to reach the management objective, for example including debt securities with integrated derivatives.

### **5. Deposits**

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

### **6. Cash borrowing**

Up to a maximum of 10% of its net assets, the MF can turn to borrowing, notably in order to optimise its cash management.

### **7. Temporary stock acquisition and sale operations**

None.

As part of a 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, including for example:

- reverse repurchase agreements in exchange for cash, governed by articles R.214-16 et seq. of the [French] Monetary and Financial Code, up to 100% of the net assets;
- repurchase agreements in exchange for cash, governed by articles R.214-16 et seq. of the [French] Monetary and Financial Code, up to 100% of the net assets;
- lending and borrowing of securities, up to 100% of the net assets.

Any temporary acquisitions or disposals of securities that are carried out, and any lending and borrowing of securities, will be all performed according to market conditions.

**Risk profile:** Your 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:

**1. Equity risk:**

The MF is 100% exposed to the FTSE RAFI EUROPE<sup>TM</sup> equities strategy index. The MF is therefore 100% exposed to the market risks related to the fluctuations of the equities comprising the FTSE RAFI EUROPE<sup>TM</sup> strategy index. The bearer is notably exposed to downward movements of the equities comprising the FTSE RAFI EUROPE<sup>TM</sup> strategy index, and therefore a risk of the decrease of the FTSE RAFI EUROPE<sup>TM</sup> strategy index. The MF therefore has a high equity risk.

**2. Risk that the MF's management objective may only be partially reached:**

Nothing guarantees that the MF's management objective will be reached. Indeed, no asset or financial instrument will allow an automatic and continuous replication of the FTSE RAFI EUROPE<sup>TM</sup> strategy index: any re-weighting of the FTSE RAFI EUROPE<sup>TM</sup> strategy index can result in miscellaneous transaction or friction costs. Similarly, the MF will not be able to perfectly reproduce the performance of the FTSE RAFI EUROPE<sup>TM</sup> strategy index notably because of the temporary unavailability of certain securities comprising the strategy index or due to exceptional circumstances that might result in distortions in the weighting of the strategy index, and notably in case of temporary suspension or interruption of the listing of the securities comprising the FTSE RAFI EUROPE<sup>TM</sup> strategy index.

**3. Risk of loss of the invested capital:** as the initially invested capital is not guaranteed, the FTSE RAFI EUROPE<sup>TM</sup> strategy index may perform negatively.

**4. Counterparty risks:** The MF will be exposed to the counterparty risk resulting from its use of forward financial instruments obtained through a lending institution. The MF is therefore exposed to the risk of the lending institution being unable to meet its commitments in respect of these instruments. The counterparty risk arising from the use of forward financial instruments is limited at

all times to 10% of the MF's net assets per counterparty.

**5. Exchange risk** linked with the fluctuation of the reference currencies of the securities included in the composition of the strategy index underlying the MF, i.e. the British pound sterling, the Swiss franc, the Danish crown, the Swedish crown and the Norwegian crown against the Euro.

**B units (solely)**

6. EUR/USD exchange risk since the unit's value is calculated in US Dollars (USD) and the index replicated by the MF is an index that is expressed in euros (EUR).

As such, the unit's value could change from one day to the next due to fluctuations of the EUR/USD exchange rate, even though the FTSE RAFI EUROPE<sup>TM</sup> strategy index remains unchanged over the same period. The bearer is therefore notably exposed to the risk that the US dollar might climb against the Euro.

**Subscribers concerned and typical investor profile:** The MF is open to any subscriber.

An investor subscribing for this MF wishes to obtain an exposure to the European equity markets.

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 your 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 duration is greater than 5 years.

	Units A	Units B
Issuing currency	Euro	Us Dollar

**Tax system:** According to the bearer's tax system, possible capital gains and earnings linked to the holding of the MF's units may be subject to taxation. We recommend that all bearers seek information in this regard from the MF marketer.

**A units (solely)**

The MF's A units are eligible for a PEA (stock savings plan).

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



*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 UCITS' 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 - 92987 Paris-La Défense Cedex - France.*
- *Approval date by the AMF (Financial Markets Authority): 9 January 2007.*
- *MF creation date: Units A: 24 January 2007.  
Units B: 20 May 2008.*

# Management policy

Data as of 31 August 2010

EXCHANGE TRADED FUNDS BY

LYXOR

SOETE GENERALE GROUP

LYXOR ETF FTSE RAFI EUROPE

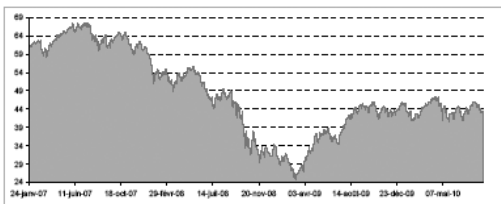
MANAGEMENT REPORT from 31 August 2009 to 31 August 2010

AMF classification: Equities of the countries of the European Community

Value code: Units A (EUR): FR0010400770  
Value code: Units B (USD): FR0010568557

Minimum investment duration		Greater than 5 years
Original net asset value Unit A	:	60.97
Original net asset value Unit B	:	8.65
Net asset value on Unit A	31 August 2009:	44.15
Net asset value on Unit B	31 August 2009:	6.33
Net asset value on Unit A	31 August 2010:	43.5682
Net asset value on Unit B	31 August 2010:	5.5369
Performance since the start of the year Unit A	:	-2.88%
Performance since the start of the year Unit B	:	-14.42%
Performance since the launch Unit A	:	-28.54%
Performance since the launch Unit B	:	-35.99%
Performance since Unit A	31 August 2009:	-1.32%
Performance since Unit B	31 August 2009:	-12.53%

## Fluctuation of the net asset value since the start



## Evolution of the index since the start

	Performance	Closing price on	Initial price on
Unit A		31 August 2010	23 January 2007
lower			
FTSE RAFI EUROPE	-30.18%	4 257.42	6 097.35
	Performance	Closing price on	Initial price on
Unit B		31 August 2010	19 May 2008
lower			
FTSE RAFI EUROPE	-22.17%	4 257.42	5 470.19

## Management objective

The MF's management objective is to reproduce the performance of the FTSE RAFI EUROPE<sup>TM</sup> strategy index, whatever its evolution may be, while insofar as possible minimizing the tracking error between the MF's performances and those of the FTSE RAFI EUROPE<sup>TM</sup> strategy index.

The tracking error objective, calculated over a period of 52 weeks, is less than 1%. Should the tracking error nevertheless be higher than 1%, the objective is still to remain below 5% of the volatility of the FTSE RAFI EUROPE<sup>TM</sup> strategy index.

## Particular events

None.

## Explanation of the Net Asset Value

The net asset value of the A units of the LYXOR ETF FTSE RAFI EUROPE MF is down by 1.32% over the fiscal year and stands at EUR 43.5682 on 31 August 2010, meaning a fund performance of -28.54% since its launch date.

The net asset value of the B units is down by 12.53% and stands at USD 5.5369 on 31 August 2010, meaning a fund performance of -35.99% since its launch date.

The fund replicates the performance of the FTSE RAFI EUROPE<sup>TM</sup> strategy index, listed in Euros (EUR), net dividends reinvested, which is showing an evolution of +1.30% over the fiscal year. As B units are not valued in the index currency, the evolution of their net asset value is subject to an exchange risk. Over the fiscal year, the EUR has fallen by -11.73% against the USD.

Following the summary index-tracking management method, the replication of the index is ensured via an equity linked swap. This forward swap contract negotiated over-the-counter and involving shares and indices serves to transform the exposure to the basket of international shares that comprise the MF's assets into an exposure to the FTSE RAFI EUROPE<sup>TM</sup> index.

On 31 August 2010, the tracking error reached a level of 0.08676%.

In compliance with the UCITS prospectus, as proposed by the investment advisor, the manager traded future financial instruments directly with the Société Générale, without carrying out an open competition between several counterparties.

## 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 UCITS 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 AMF [Financial Markets Authority] General Regulations, be consulted either on the management company's website or at its head office (upon request).

In compliance with article 314-82 of the AMF General Regulations, the report relative to the intermediation expenses is available on our Internet site at the address: [www.lyxor.fr](http://www.lyxor.fr)

## Auditor's report

### PriceWaterhouseCoopers

**AUDITOR'S REPORT  
ON THE ANNUAL ACCOUNTS  
Fiscal year closing on 31 August 2010**

#### PriceWaterhouseCoopers Audit

63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex  
Tel.: 01 56 57 58 59  
Fax: 01 56 57 58 60

#### **LYXOR ETF FTSE RAFI EUROPE**

Mutual fund governed by the  
Monetary and Financial Code

#### Management Company

LYXOR INTERNATIONAL ASSET MANAGEMENT  
Tour Société Générale  
17, cours Valmy  
92800 Puteaux

Ladies, Gentlemen,

As part of the mission entrusted to us by the management company's executive committees, we hereby present our report relative to the fiscal year closing on 31 August 2010 concerning:

- the verification of the annual accounts of the mutual fund LYXOR ETF FTSE RAFI EUROPE, as they are attached to the present report,
- the bases of our assessments,
- the specific verifications and information required by law.

The annual accounts have been closed under the responsibility of the management company. It is our duty to express an opinion on these accounts based on our audit.

#### **1. OPINION ON THE ANNUAL ACCOUNTS**

We have conducted our audit in accordance with the generally accepted auditing standards in France; These standards require that we apply the procedures necessary to obtain reasonable assurance that the annual financial statements do not include any significant misstatements. An audit involves verifying, by sampling and other selection methods, the elements underlying the amounts and information contained in the annual financial statements. It also involves assessing the implemented accounting principles, the significant estimates that have been used, and assessing the overall presentation of the financial statements. We feel that the collected evidence is sufficient and appropriate for the basis of our opinion.

We certify that, in accordance with French accounting rules and principles, the annual financial statements are truthful and in order, and present a fair picture of the operating profits and losses for the past fiscal year, as well as the company's financial situation and assets at the end of said fiscal year.

## 2. JUSTIFICATION OF THE ASSESSMENTS

In application of the provisions of article L.823-9 of the [French] Commercial Code relative to the justification of our assessments, we draw your attention to the following elements:

Over-the-counter contracts are valued according to the methods described in note 1 of the appendix. On the basis of the elements leading to the determination of the adopted valuations, we have carried out an assessment of the approach used by the management company, as well as of the reasonable nature of these estimates.

The assessments made in this way are in line with our approach for the audit of the annual accounts, taken as a whole, and they therefore contributed to the formulation of our unreserved opinion as expressed in the first part of this report.

## 3. SPECIFIC INFORMATION AND AUDIT PROCEDURES

We have also conducted the auditing procedures required by law, in accordance with the applicable professional standards in France.

We have no observations to report regarding the truthfulness or consistency with the annual accounts of the information included in the annual report and in the documents sent to the shareholders concerning the company's situation and annual accounts.

Neuilly sur Seine, 9 December 2010

The auditor

**PricewaterhouseCoopers Audit**

*(signature)*

Marie-Christine Jetil

<b>ANNUAL ACCOUNTS</b>
------------------------

**BALANCE SHEET assets**

	31.08.2010	31.08.2009
Currency	EUR	EUR
<b>Net fixed assets</b>	-	-
<b>Deposits</b>	-	-
<b>Financial instruments</b>	<b>22 522 989,68</b>	<b>29 454 593,82</b>
• <b>SHARES AND SIMILAR SECURITIES</b>		
Negotiated on a regulated or similar market	21 078 241,13	28 064 473,41
Not negotiated on a regulated or similar market	-	-
• <b>BONDS AND SIMILAR SECURITIES</b>		
Negotiated on a regulated or similar market	-	-
Not negotiated on a regulated or similar market	-	-
• <b>DEBT INSTRUMENTS</b>		
Negotiated on a regulated or similar market		
<i>Negotiable debt instruments</i>	-	-
<i>Other debt instruments</i>	-	-
Not negotiated on a regulated or similar market	-	-
• <b>MUTUAL FUND SHARES</b>		
European co-ordinated UCITS		
and French UCITS of a general nature	-	-
UCITS reserved for certain investors – FCPR (type of collective investment MF) – FCIMT (type of MF intervening on futures markets)	-	-
Listed SPVs and investment funds	-	-
Non-listed SPVs and investment funds	-	-
• <b>TEMPORARY OPERATIONS INVOLVING SECURITIES</b>		
Receivables representing securities held in pension	-	-
Receivables representing loaned securities	-	-
Securities borrowed	-	-
Securities given in pension	-	-
Other temporary operations	-	-
• <b>FUTURE FINANCIAL INSTRUMENTS</b>		
Operations on a regulated or similar market	-	-
Other positions	1 444 748,55	1 390 120,41
• <b>OTHER FINANCIAL INSTRUMENTS</b>	-	-
<b>Liabilities</b>	-	<b>555 936,74</b>
Future foreign currency operations	-	-
Other	-	555 936,74
<b>Financial accounts</b>	-	<b>468 786,05</b>
Liquidity	-	468 786,05
<b>Total assets</b>	<b>22 522 989,68</b>	<b>30 479 316,61</b>

**BALANCE SHEET liabilities**

	31.08.2010	31.08.2009
Currency	EUR	EUR
<b>Shareholders equity</b>		
• Capital	21 884 378,60	28 608 823,12
• Carried forward	-	-
• Adjustment of carried forward	-	-
• Result	626 465,10	831 299,73
<b>Total shareholders equity</b> <i>(amount representing the net assets)</i>	<b>22 510 843,70</b>	<b>29 440 122,85</b>
<b>Financial instruments</b>	-	-
• <b>Operations involving the sale of financial instruments</b>	-	-
• <b>Temporary operations involving securities</b>		
Debts representing securities given in pension	-	-
Debts representing borrowed securities	-	-
Other temporary operations	-	-
• <b>Future financial operations</b>		
Operations on a regulated or similar exchange market	-	-
Other positions	-	-
<b>Debts</b>	<b>12 145,96</b>	<b>1 039 193,76</b>
Future foreign exchange operations	-	-
Other	12 145,96	1 039 193,76
<b>Financial accounts</b>	<b>0,02</b>	-
Current bank accommodations	0,02	-
Loans	-	-
<b>Total liabilities</b>	<b>22 522 989,68</b>	<b>30 479 316,61</b>

**Off-balance sheet commitments**

	31.08.2010	31.08.2009
Currency	EUR	EUR
<b>Hedging operations</b>		
• 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)	-	-
<b>Other operations</b>		
• 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	30 458 711,24	39 347 811,24
- Contracts for Differences (CFD)	-	-
• Other commitments		
- Futures market	-	-
- Options market	-	-
- Credit derivatives	-	-
- Swaps	-	-
- Contracts for Differences (CFD)	-	-



**Profit and loss account**

	31.08.2010	31.08.2009
Currency	EUR	EUR
<b>Earnings and financial operations</b>		
• Earnings on deposits and financial accounts	-	-
• Earnings and shares and similar securities	-	-
• Earnings on bonds and similar securities	-	-
• Earnings on debt instruments	762 920,91	975 000,24
• Earnings on temporary acquisitions and sales of securities	-	-
• Earnings on future financial instruments	-	-
• Other financial earnings	-	-
<b>Total (I)</b>	<b>762 920,91</b>	<b>975 000,24</b>
<b>Charges on financial operations</b>		
• Charges on temporary acquisitions and sales of securities	-	-
• Charges on future financial instruments	-	-
• Charges on financial debts	-83,67	-66,93
• Other financial charges	-	-
<b>Total (II)</b>	<b>-83,67</b>	<b>-66,93</b>
<b>Earnings on financial operations (I - II)</b>	<b>762 837,24</b>	<b>974 933,31</b>
Other earnings (III)	-	-
Management fees and depreciation expenses (IV)	-162 003,29	-143 931,40
<b>Net earnings of the fiscal year (L.214-9) (I - II + III - IV)</b>	<b>600 833,95</b>	<b>831 001,91</b>
Adjustment of the fiscal year's earnings (V)	25 631,15	297,82
Advances paid for the fiscal year (VI)	-	-
<b>Earnings (I - II + III - IV +/- V - VI):</b>	<b>626 465,10</b>	<b>831 299,73</b>

## **1. Accounting rules and methods**

The annual accounts are presented in the format pursuant to the provisions of CRC Regulation no. 2003-02 of 2 October 2003 relative to the chart of accounts of UCITS, modified by CRC regulation no. 2005-07 of 3 November 2005, and approved by the ministerial decree of 26 December 2005.

### **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. 2003-02 of the Comité de la Réglementation Comptable dated 2 October 2003 relative to the chart of accounts of UCITS (1st part).

The financial instruments negotiated on a regulated market are assessed at the closing price on the day of the net asset value.

When these financial instruments are negotiated on several regulated markets at the same time, the chosen closing price is the one of the regulated market in which they are primarily negotiated.

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.

# appendix

Firm future financial instruments negotiated on organised markets are assessed at the clearing price on the day of the net asset value. Conditional future financial instruments negotiated on organised markets are assessed at the market value on the 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 acquisitions and sales of securities are assessed at the market price.

Units and shares in 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 shares of investment funds 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 negotiated 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 drafted in a currency other than the MF's reference currency are the exchange rates disseminated by WM/Reuters the day of the MF's net asset value.

## **Posting method for the negotiation fees**

The chosen method is that of included fees.

## **Posting method of revenues from fixed revenue securities**

The chosen method is that of the collected coupon.

## 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 UCITS) 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 UCITS) 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 UCITS).

## Operation and management fees units A and B

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 market tax, etc.) and the transaction commission which, if relevant, may notably be collected by the custodian and management company. The following can be added to the operation and management fees:

- outperformance commissions. These reward the management company when the MF has exceeded its objectives. They are therefore invoiced to the MF;
- transaction commissions invoiced to the MF;
- a portion of the earnings from temporary acquisitions and sales of securities.

For more details on the fees actually invoiced to the MF, refer to the Statistical Part of the simplified prospectus.

<b>Fees invoiced to the MF</b>	<b>Basis</b>	<b>Schedule rate</b>
Operation and management fees, tax incl. <sup>(1)</sup>	Net assets	maximum 0.60% per year
Outperformance commissions	Net assets	None
Service providers collecting commissions on transactions	Collection on each transaction	None

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

No transaction commission will be charged to the Fund.

**Accounting currency**

The UCITS' accounting is carried out in Euros.

**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:
  - Update of the prospectus on 6 May 2010.
- 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**

The management company reserves the right to capitalise and/or distribute all or part of the revenues.

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**2. Evolution of the net assets**

	31.08.2010	31.08.2009
Currency	EUR	EUR
<b>Net assets at the start of the fiscal year</b>	<b>29 440 122,85</b>	<b>40 886 127,04</b>
Subscriptions (including subscription commission acquired by the UCITS)	2 305 000,00	2 025 000,00
Redemptions (less the redemption commission acquired by the UCITS)	-8 870 533,64	-10 713 600,00
Capital gains generated on deposits and financial instruments	5 389 679,46	4 530 829,74
Capital losses generated on deposits and financial instruments	-4 643 206,26	-16 284 625,09
Capital gains generated on future financial instruments	11 009 381,21	18 161 667,72
Capital losses generated on future financial instruments	-9 312 778,53	-13 390 918,49
Negotiation fees	-	-
Exchange differentials	401 980,23	-140 895,39
Changes to the estimate difference of the deposits and financial instruments:		
- <i>Estimate difference fiscal year N</i>	-2 981 323,78	4 584 570,40
- <i>Estimate difference fiscal year N-1</i>	-622 609,75	2 358 714,03
	2 358 714,03	-2 225 856,37
Changes to the estimate difference of future financial instruments:		
- <i>Estimate difference fiscal year N</i>	-172 098,83	261 410,19
- <i>Estimate difference fiscal year N-1</i>	-30 792,11	141 306,72
	141 306,72	-120 103,47
Distribution from the previous fiscal year	-656 212,96	-
Net earnings of the fiscal year before adjustment account	600 833,95	831 001,91
Advance(s) paid during the fiscal year	-	-
Other elements	-	-1 310 445,18
<b>Net assets at the end of the fiscal year</b>	<b>22 510 843,70</b>	<b>29 440 122,85</b>

### **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

	Negotiated on a regulated or similar market	Not negotiated on a regulated or similar market
Indexed bonds	-	-
Convertible bonds	-	-
Fixed-rate bonds	-	-
Variable-rate bonds	-	-
Zero coupon bonds	-	-
Equity interests	-	-
Other instruments	-	-

##### 3.1.2 Breakdown of the “Receivables” item by legal or economic type

	Negotiated on a regulated or similar market	Not negotiated on a regulated or similar market
Treasury Bonds	-	-
Commercial paper	-	-
Deposit certificates	-	-
Negotiable medium-term notes (“ <i>BMTN</i> ”)	-	-
Other instruments	-	-

##### 3.1.3 Breakdown of the “Sale operations on financial instruments” item by instrument type

	Securities received in pension 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
<b>Hedging operations</b>				
Commitments on regulated or similar markets	-	-	-	-
Over-the-counter commitments	-	-	-	-
Other commitments	-	-	-	-
<b>Other operations</b>				
Commitments on regulated or similar markets	-	-	-	-
Over-the-counter commitments	-	-	-	30 458 711,24
Other commitments	-	-	-	-

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

	Fixed rate	Variable rate	Revisable rate	Other
<b>Assets</b>				
Deposits	-	-	-	-
Bonds and similar securities	-	-	-	-
Debt instruments	-	-	-	-
Temporary operations on securities	-	-	-	-
Financial accounts	-	-	-	-
<b>Liabilities</b>				
Temporary operations on securities	-	-	-	-
Financial accounts	-	-	-	0,02
<b>Off-balance sheet</b>				
Hedging operations	-	-	-	-
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
<b>Assets</b>					
Deposits	-	-	-	-	-
Bonds and similar securities	-	-	-	-	-
Debt instruments	-	-	-	-	-
Temporary operations on securities	-	-	-	-	-
Financial accounts	-	-	-	-	-
<b>Liabilities</b>					
Temporary operations on securities	-	-	-	-	-
Financial accounts	0,02	-	-	-	-
<b>Off-balance sheet</b>					
Hedging operations	-	-	-	-	-
Other operations	-	-	-	-	30 458 711,24

### 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 in which the accounting is maintained.*

By main currency	CHF	SEK	-	Other currencies
<b>Assets</b>				
Deposits	-	-	-	-
Equities and similar securities	2 887 517,21	651 877,34	-	-
Bonds and similar securities	-	-	-	-
Debt instruments	-	-	-	-
MF shares	-	-	-	-
Temporary operations on securities	-	-	-	-
Forward financial instruments on the asset side	-	-	-	-
Receivables	-	-	-	-
Financial accounts	-	-	-	-
<b>Liabilities</b>				
Sale operations on financial instruments	-	-	-	-
Temporary operations on securities	-	-	-	-
Forward financial instruments on the liability side	-	-	-	-
Debts	-	-	-	-
Financial accounts	-	-	-	-
<b>Off-balance sheet</b>				
Hedging operations	-	-	-	-
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 currency exchange operations by type of operation (purchase/sale).*

<b>Receivables</b>	
Future currency exchange operations	-
Future purchases of currency	-
Total negotiated amount of future currency sales	-
Other receivables:	-
	-
-	-
-	-
-	-
Other operations	-
<b>Debts</b>	
Future currency exchange operations	12 145,96
Future sales of currency	-
Total negotiated amount of future currency purchases	-
Other debts:	
Provisioned costs	12 145,96
-	-
-	-
-	-
-	-
Other operations	-

### 3.6 Shareholders equity

Number of units issued/redeemed during the fiscal year:	Subscriptions		Redemptions	
	Number of units	Amount	Number of units	Amount
UNIT A / FR0010400770	50 000	2 305 000,00	150 000	6 598 500,00
UNIT B / FR0010568857		-	500 000	2 272 033,64
Subscription / redemption commission by share category:		Amount		Amount
UNIT A / FR0010400770		-		-
UNIT B / FR0010568857		-		-
Remittances by share category:		Amount		Amount
UNIT A / FR0010400770		-		-
UNIT B / FR0010568857		-		-
Commissions acquired by the UCITS by share category:		Amount		Amount
UNIT A / FR0010400770		-		-
UNIT B / FR0010568857		-		-

### 3.7 Management fees

Operating and management fees (fixed fees) as % of the average net assets:	%
Share category:	
UNIT A / FR0010400770	0,60
UNIT B / FR0010568857	0,60
Performance commissions (variable fees): amount of costs for the year	Amount
Share category:	
UNIT A / FR0010400770	-
UNIT B / FR0010568857	-
Retrocession of management fees:	
- Total amount of fees retroceded to the UCITS	-
- Breakdown by "target" UCITS	
- UCITS 1	-
- UCITS 2	-
- UCITS 3	-
- UCITS 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	-
- bonds	-
- debt instruments	-
- other financial instruments	-

Financial estimates given as guarantees and maintained in their original item:

- equities	-
- bonds	-
- debt instruments	-
- 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 UCITS managed by these entities

- Swap	1 444 748,55
--------	--------------

### 3.10 Allocation of the earnings table *(in the UCITS' currency of account)*

#### Advances paid during the fiscal year

Date	Share category	Overall amount	Unit amount	Total tax credits	Unit tax credits
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>Total advances</b>		-	-	-	-

**LYXOR ETF FTSE RAFI EUROPE**

	<b>31.08.2010</b>	<b>31.08.2009</b>
<b>Allocation of the profit/loss</b>	EUR	EUR
<b>Sums still to be allocated</b>		
Carried forward	-	-
Adjustment of carried forward	-	-
Earnings	626 465,10	831 299,73
<b>Total</b>	<b>626 465,10</b>	<b>831 299,73</b>

UNIT A / FR0010400770	<b>31.08.2010</b>	<b>31.08.2009</b>
Currency	EUR	EUR
<b>Allocation</b>		
Distribution	313 525,08	416 692,00
Carried forward for the fiscal year	-	-
Capitalisation	70 460,01	102 877,93
<b>Total</b>	<b>383 985,09</b>	<b>519 569,93</b>
<b>Information relative to the units and resulting in a distribution right</b>		
Number of circulating units	316 692,00	416 692,00
Distribution per unit	0,99	1,00
<b>Tax credits</b>	-	-

**LYXOR ETF FTSE RAFI EUROPE**

UNIT B / FR0010568857	31.08.2010	31.08.2009
Currency	EUR	EUR
<b>Allocation</b>		
Distribution	188 835,12	239 520,96
Carried forward for the fiscal year	-	-
Capitalisation	53 644,89	72 208,84
<b>Total</b>	<b>242 480,01</b>	<b>311 729,80</b>
<b>Information relative to the units and resulting in a distribution right</b>		
Number of circulating units	2 000 000,00	2 500 000,00
Distribution per unit	0,09	0,09
<b>Tax credits</b>	-	-

**3.11 Table of the earnings and other characteristic elements of the MF during the last 5 fiscal years**

*UCITS creation date: Units A: 24 January 2007; Units B: 20 May 2008.*

UCITS currency

EUR	31.08.2010	31.08.2009	29.08.2008	31.08.2007	Date n-4
<b>Net assets</b>	<b>22 510 843,70</b>	29 440 122,85	40 886 127,04	94 572 543,48	-



**LYXOR ETF FTSE RAFI EUROPE**

UNIT A / FR0010400770		Currency of the UNIT and of the NAV: EUR			
	<b>31.08.2010</b>	31.08.2009	29.08.2008	31.08.2007	Date n-4
<b>Number of circulating units</b>	<b>316 692,00</b>	416 692,00	596 692,00	1 500 000,00	-
<b>Net asset value</b>	<b>43,56</b>	44,15	48,28	63,04	-
<b>Unit distribution (including advances)*</b>	<b>0,99</b>	1,00	1,55	1,25	-
<b>Unit tax credit transferred to unit holders (natural persons)<sup>(1)</sup></b>	-	-	-	-	-
<b>Unit capitalization *</b>	<b>0,22</b>	0,24	1,07	2,73	-

\* The amounts of the unit distribution, the unit capitalisation and the tax credits are indicated in the accounting currency of the UCITS.

(1) Fiscal year closed; pursuant to the Fiscal Instruction of 4 March 1993 from the General Tax Department, the unit tax credit will be determined on the day of the dividend's detachment by distribution of the total amount of the fiscal tax credits between the securities in circulation on that date.

UNIT B / FR0010568857		Currency of the UNIT and of the NAV: USD			
	<b>31.08.2010</b>	31.08.2009	29.08.2008	31.08.2007	Date n-4
<b>Number of circulating units</b>	<b>2 000 000,00</b>	2 500 000,00	2 500 000,00	-	-
<b>Net asset value</b>	<b>5,53</b>	6,33	7,10	-	-
<b>Unit distribution (including advances)*</b>	<b>0,09</b>	0,09	**0,15	-	-
<b>Unit tax credit transferred to unit holders (natural persons)<sup>(1)</sup></b>	-	-	-	-	-
<b>Unit capitalization *</b>	<b>0,02</b>	0,03	0,14	-	-

\* The amounts of the unit distribution, the unit capitalisation and the tax credits are indicated in the accounting currency of the UCITS.

\*\* The unit dividend amount results from the conversion of the dividend of USD 0.22 paid in USD and converted into EUR using the WM Reuters EUR/USD fixing set at 1.42645 on 5 September 2008.

(1) Fiscal year closed; pursuant to the Fiscal Instruction of 4 March 1993 from the General Tax Department, the unit tax credit will be determined on the day of the dividend's detachment by distribution of the total amount of the fiscal tax credits between the securities in circulation on that date.

4. UCITS inventory

# appendix

Security code	Name	Quantity	Stock market value	Listing currency	% Assets
<b>LYXOR ETF FTSE RAFI EUROPE</b>					
Investment Securities					
<i>Equity</i>					
FR0000000881	NOKIA OYJ	200 823.00	1 354 851.14	EUR	6.02
DE0007037129	RWE AG	28 397.00	1 487 559.96	EUR	6.52
DE0000ENAG989	E.ON AG	19 490.00	408 904.30	EUR	1.82
DE0007234101	SIEMENS AG-NOM	29 100.00	2 088 798.00	EUR	9.25
IT0001063210	MEDIASET SPA	42 968.00	210 103.74	EUR	0.93
CH0012032046	ROCHE HOLDING AG-BON JOUSSANCE	7 072.00	757 273.33	CHF	3.36
IT0000046654	UNICREDIT SPA	109 428.00	202 662.51	EUR	0.90
DE0000404005	ALLIANZ SE-NOM	4 091.00	330 316.14	EUR	1.47
ES0144690714	BBVA BANCO VIZCAYA ARGENTA	64 874.00	360 899.44	EUR	1.60
FR0010208489	GDF SUEZ	85 143.00	2 080 499.21	EUR	9.24
FR0000131104	BNP PARIBAS	8 998.00	333 974.42	EUR	1.51
FR0001219172	SCHNEIDER ELECTRIC SA	25 218.00	2 110 494.42	EUR	9.38
DE0000657959	DEUTSCHE TELEKOM AG-NOM	220 640.00	2 292 469.80	EUR	10.19
ES0113211835	BANCO BILBAO VIZCAYA ARGENTA	42 079.00	115 245.68	EUR	0.51
CH0000963350	NESTLE SA	52 193.00	2 130 243.88	CHF	9.45
ES0078400E18	TELEFONICA SA	109 824.00	1 921 920.00	EUR	8.54
SE0000107419	INVESTOR B	47 855.00	651 877.34	SEK	2.90
NL0000000639	ROYAL PHILIPS ELECTRONICS NV	83 898.00	1 954 277.26	EUR	8.24
Total Equity			21 075 241.13		93.64
Total Investment Securities			21 075 241.13		93.64
<i>Cash</i>					
<b>OTHER</b>					
	PHILETIF Swap incl. PTF		1 475 540.88	EUR	6.99
	<b>PHILETIF SWAP incl. PTF</b>		<b>-30 782.11</b>	<b>EUR</b>	<b>-0.14</b>
Total OTHER			1 444 758.55		6.42
<b>AT BANK OR PENDING</b>					
	EUR SGP bank		-0.02	EUR	
Total AT BANK OR PENDING			-0.02		
<b>MANAGEMENT FEES</b>					
	<b>PGComDesMdm</b>		<b>-12 146.56</b>	<b>EUR</b>	<b>-0.05</b>
Total MANAGEMENT FEES			-12 146.56		-0.05
Total Cash			1 432 602.57		6.36
Total LYXOR ETF FTSE RAFI EUROPE			22 510 843.70		100.00

**The following notes relate to the marketing of the fund in Hong-Kong**

#### **4. Transactions with Manager and its connected persons**

##### **4.1. Investment transactions with connected persons of the Manager**

The following note is a summary of the transactions entered into during the year between the Fund and the Manager and its connected persons.

Connected persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

Investment transactions with connected persons of the Manager:

Name of company	Aggregate value of purchases and sales of securities	% of the Fund's total transactions	% of the Fund's total commission paid in the year	Average rate of commission
From August 31 2009 to August 31, 2010	EUR			
Société Générale	209 980 632,49	100%	0	0

##### **4.2. Fees on investment transactions with connected persons of the Manager**

The Fund utilises the brokerage, custodian, agency and banking services of Société Générale, connected persons of the Manager.

There are no Investment transaction fees paid by the fund to Lyxor International Asset Management and to Société Générale.

#### **5. Soft commission arrangements**

The Manager is not aware of any agreements with third parties involving soft commissions and based on investment transactions.

**6. Constituent stocks of the basket which represent more than 10 percent at year-end date**

As at year-end, DEUTSCHE TELEKOM AG-NOM stocks represents 10.19 percent of the portfolio.

**7. Performance of the fund vs performance of the Index**

The LYXOR ETF FTSE RAFI EUROPE is 1.32% down for shares A (EUR) from 31/08/2009 to 31/08/2010 and is 12.53% down for shares B (USD) from 31/08/2009 to 31/08/2010 on the relevant (fiscal) period.

On the period from 31/08/2009 to 31/08/2010, the FTSE RAFI EUROPE™ INDEX returned a performance equal to -1.30%.

Note: Since the index and the fund are not valued in the same currency, the performance of share B (in USD) is shifted accordingly.