

Investing in water

Tackle the water scarcity challenge

Water scarcity, driven by increasing population and climate change continues to be a major global challenge. By 2030, water demand is likely to exceed supply by 40% and half of the population is likely to suffer from water stress.¹ Companies in the water sector are exploring new strategies to tackle this challenge, including investing in new and innovative water technologies.

Water scarcity – a pressing priority

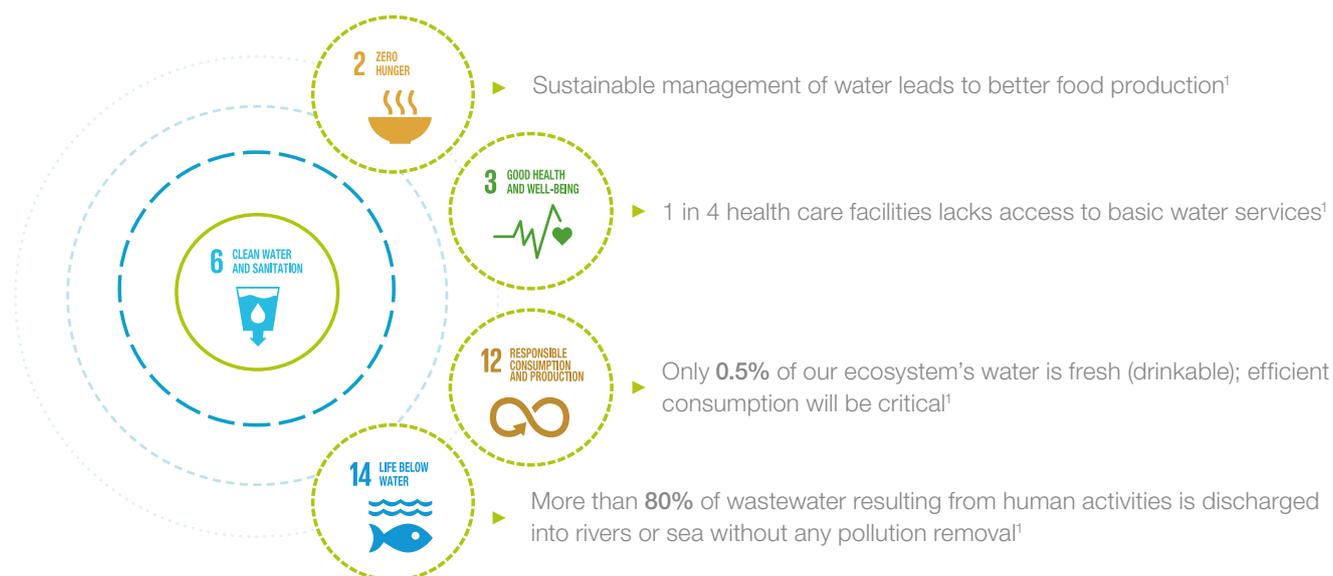
- ▶ **Water scarcity, poor water quality and inadequate sanitation** negatively impacts food security, livelihood choices and educational opportunities for poor families across the world
- ▶ The threat is very real:
 - ▶ The World Economic Forum ranks water crises as the 4th top risk by impact, behind WMDs, climate change, and extreme weather events²
 - ▶ 3 in 10 people lack access to safe drinking water¹
 - ▶ 2.4bn people lack access to basic sanitation services¹
 - ▶ Nearly 1,000 children die every day due to preventable water and sanitation-related diarrheal diseases¹
- ▶ The water scarcity challenge can be alleviated by **directing capital towards water sector companies**, thereby facilitating capex through reduced cost of capital

Index and fund details³

Index name	World Water cw Total Return Index
Index Bloomberg ticker	WOWAXC
Number of holdings	32
ETF Name	Lyxor World Water UCITS ETF
ETF Bloomberg Ticker	WAT
Replication	Swap-based*
TER	0.60%
AuM	€788m

*Wherever legally possible and at its discretion, Lyxor applies exclusions on the fund holdings of its synthetic ETFs based on a) companies that deal with controversial weapons (e.g. anti-personnel mines, cluster bombs, depleted uranium munitions, and biological, chemical, nuclear or radiological weapons), and b) companies associated with serious and repeated breaches of the UN Global Compact principles.

Clean water access has an indirect ripple effect across many of the UN Sustainable Development Goals



¹UN SDG website, as at June 2019.

²Source: World Economic Forum, The Global Risks Report 2019, January 2019.

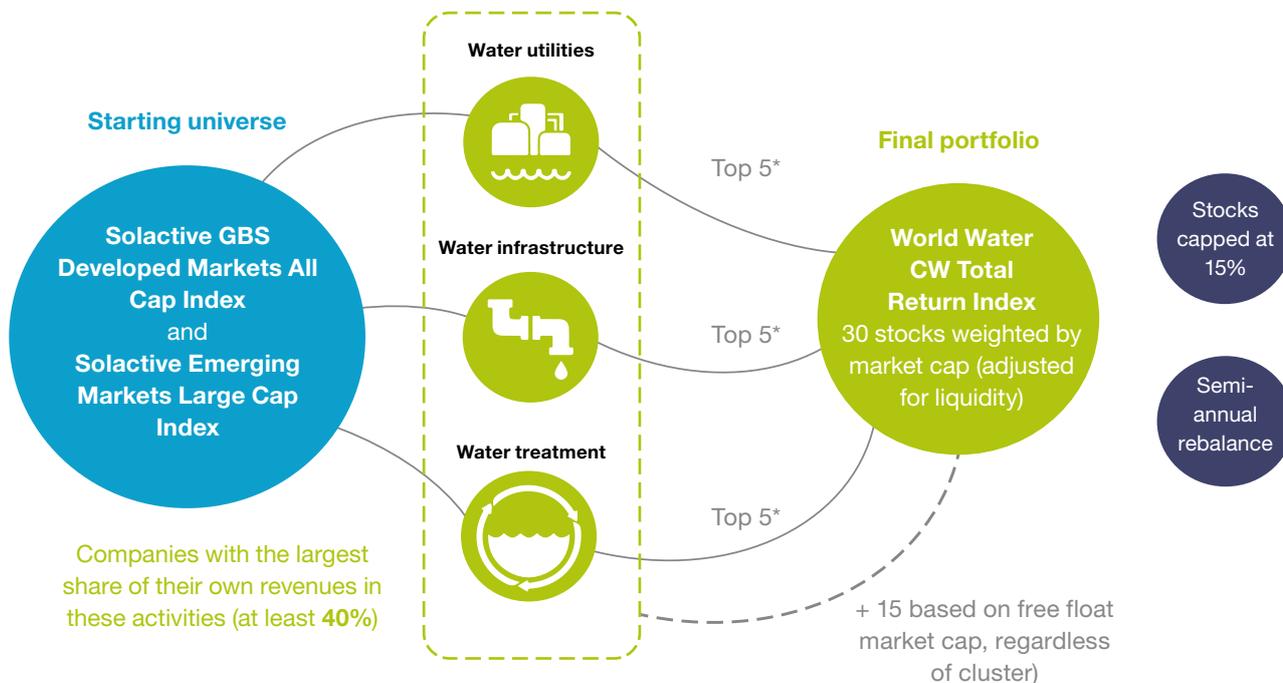
³Source: Lyxor International Asset Management, as at 19/12/2019.

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Why we partnered with RobecoSAM's ESG research team

- ▶ As a pioneer of sustainability investing, RobecoSAM benefits from unique, long-term experience
- ▶ Based on a quantitative stock selection model designed by RobecoSAM, Societe Generale's World Water cw Total Return index tracks the world's 30 largest companies operating in the water infrastructure, utilities or treatment sectors
 - ▷ Each company must derive 40% to 100% of its revenue from water related activities

How our chosen World Water index works



*Based on free-float adjusted market capitalisation
Source: Lyxor International Asset Management, Dec 2019.

About the water sector clusters⁴

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▶ **Water utilities**

Exclusive focus on water supplies and wastewater services to residential, commercial and industrial sectors (e.g. **Veolia**)
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▶ **Water infrastructure**

Engineering & construction, building materials & fixtures for residential, commercial and industrial markets, water meters (e.g. **A.O. Smith**)
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▶ **Water treatment**

Treatment systems and purification processes, treatment chemicals, irrigation and water efficiency systems, valves & pumps (e.g. **Pentair**)

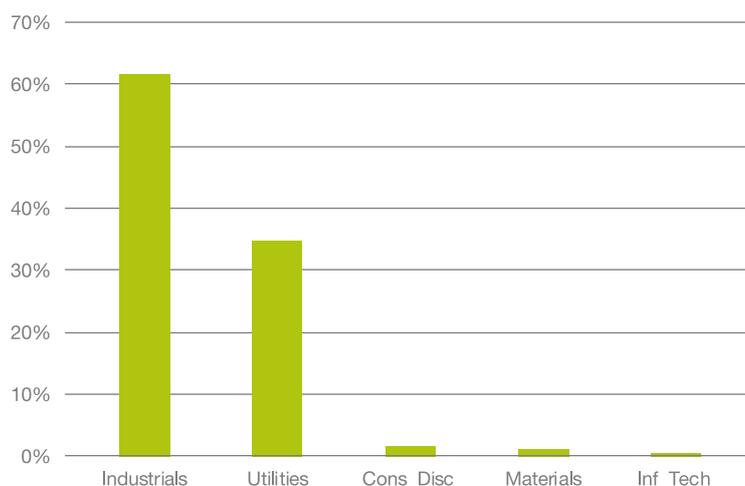
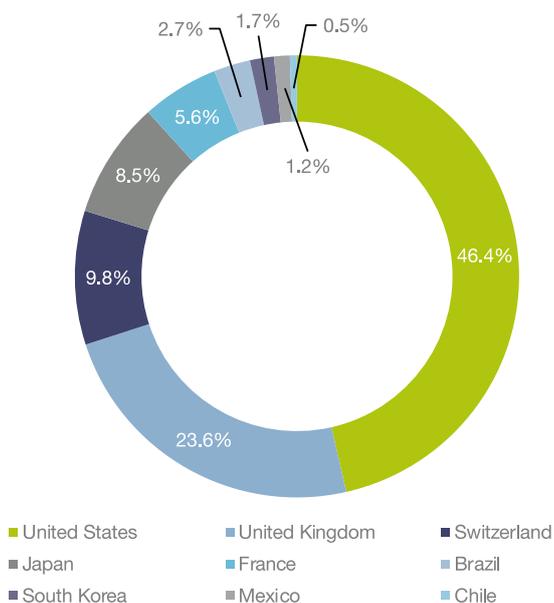
⁴Examples of companies were constituents of the World Water index as of 19/12/2019.

Index snapshot

World Water cw Total Return index – Top 10 holdings⁵

Company name	Currency	Weight (%)
AMERICAN WATER WORKS CO INC	USD	11.2%
GEBERIT AG-REG	CHF	9.8%
Ferguson PLC	GBP	8.6%
XYLEM INC	USD	6.6%
MASCO CORP	USD	6.0%
VEOLIA ENVIRONNEMENT	EUR	5.6%
AQUA AMERICA INC	USD	4.8%
SPIRAX-SARCO ENGINEERING PLC	GBP	4.2%
United Utilities Group PLC	GBP	3.8%
SMITH (A.O.) CORP	USD	3.8%
Total		64.3%

Breakdown by country and sectors⁵



Did you know?

Veolia Water partnered with the Indian government to provide drinking water service operation and maintenance for 25 years in Nagpur City.

⁵Source: Lyxor International Asset Management, as at 05/12/2019

Why Lyxor for water



Pure

Companies derive 40-100% of their revenues from water related activities, ensuring pure sector exposure



Impactful

Help tackle the water scarcity challenge by directing capital towards the sector



Dependable

Stock selection model designed by RobecoSAM, a leader in sustainability investing with decades of experience



Popular

Over 350% growth in assets over the past 5 years⁶



Accomplished

Amongst the biggest Water ETFs in Europe, with almost €780m in assets and over 12 years' track record⁶

⁶Source: Lyxor International Asset Management, as at 05/12/2019. AUM correct as at 05/12/2019. Statements about Lyxor credentials vs. peers refer to the European UCITS ETF market only.

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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

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 Societe Generale. 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.

Concentration risk

Thematic ETFs select stocks or bonds for their portfolio from the original benchmark index. Where selection rules are extensive it can lead to a more concentrated portfolio where risk is spread over fewer stocks than the original benchmark.

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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.

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 Societe Generale. 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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