

18 SEPTEMBER 2017



Jean Sayegh
Head of Fixed Income

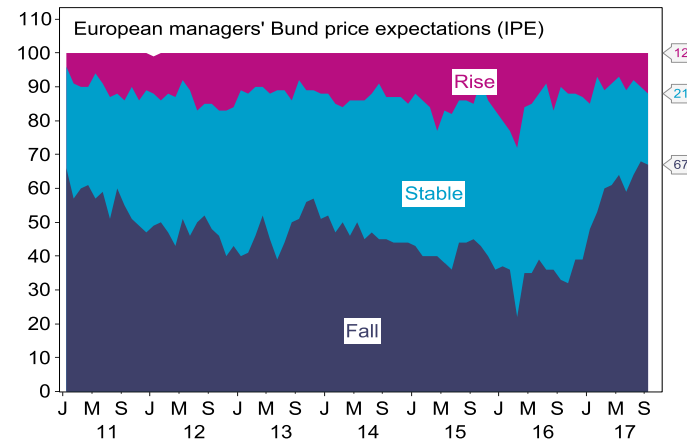
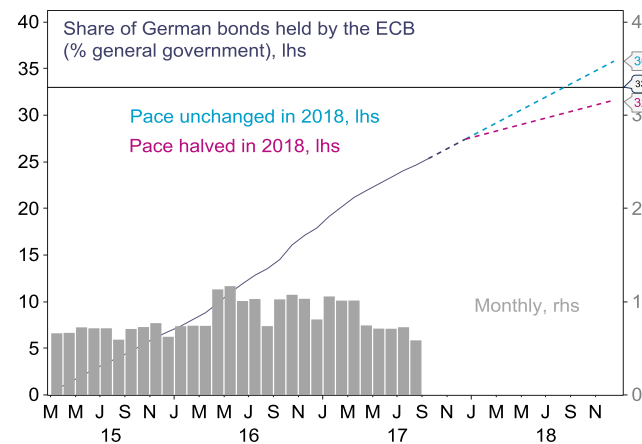
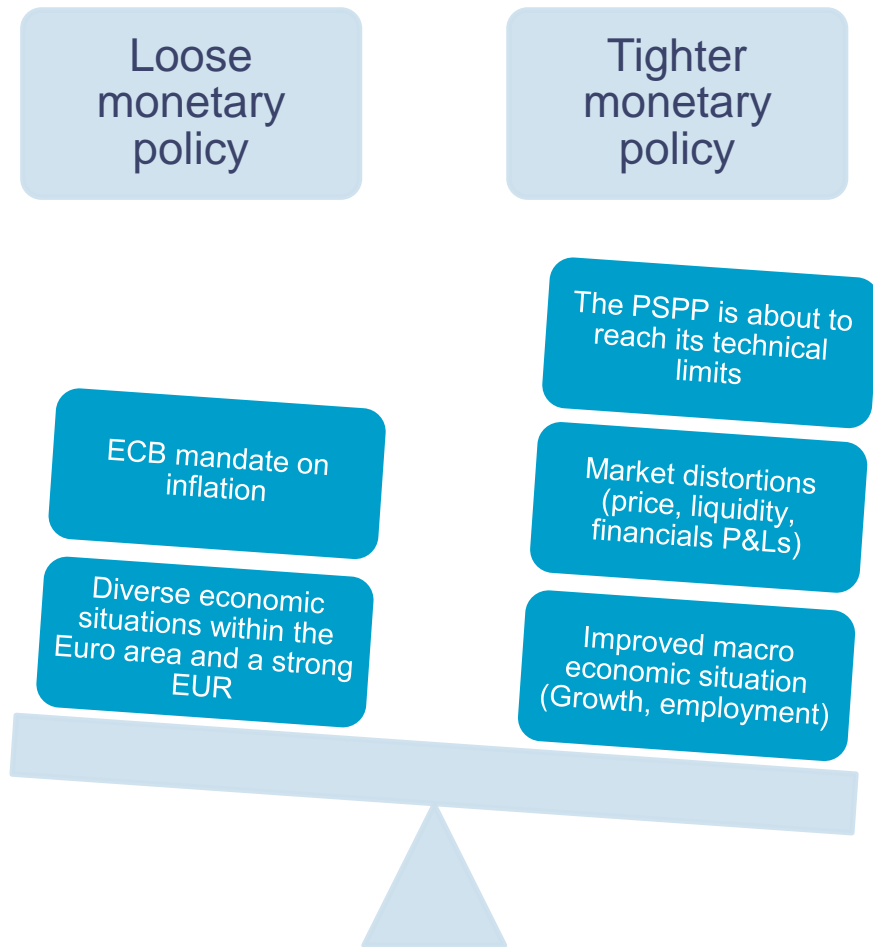
LYXOR
Asset Management
SOCIETE GENERALE GROUP

EIFR
Gestion du Collatéral
19/09/2017

Investor challenges

LOOSE MONETARY POLICIES ENDING

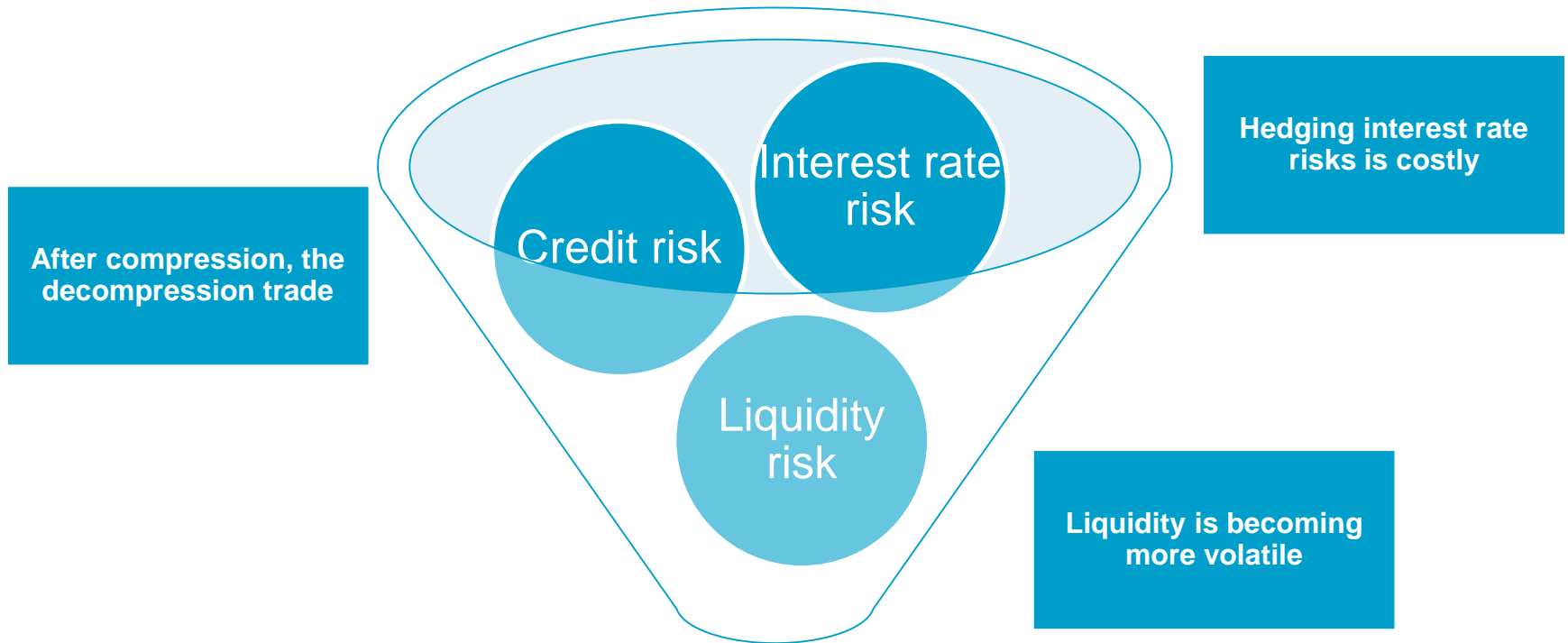
Yields will rise



● Macrobond, Lyxor AM

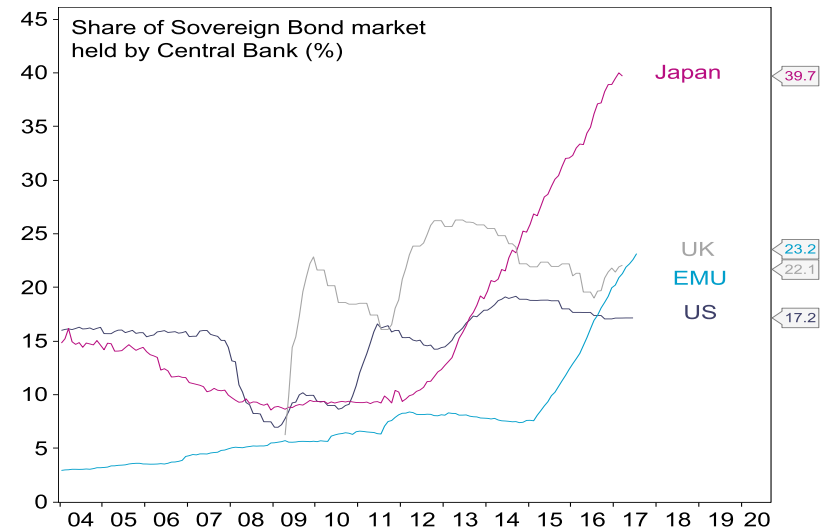
INVESTOR REQUIREMENTS FOR COLLATERAL

Managing the risk



AVAILABLE COLLATERAL IS SCARCE AND EXPENSIVE

- ECB Depo rate at -40 bps
- Investors are submitted to additional charges
- High quality assets are at least as expensive
- High quality assets circulation is hampered



High Quality Liquid Assets Funds, a solution to investor's problems

HQLA IN BRIEF

HQLA fund management is based on cautious management strategies developed by asset managers to comply with LCR regulations

LCR RATIO

High Quality Liquid Assets
Net Cash Outflows over 30 days (Stress Test)

LIMITS

LEVEL	1 ST LIMIT	2 ND LIMIT	EXAMPLES
1	-	-	<ul style="list-style-type: none"> Central bank deposit All EU gov. bonds Non-EU gov. bonds (min. rating AA-) Certain covered bonds
2a		-	<ul style="list-style-type: none"> Non-EU gov. bonds (A+ to A-) Corporate bonds (AA min)
2b	40% max.	15%	<ul style="list-style-type: none"> RMBS Corporate bonds (A+ and BBB-) Equity

APPLICATION TIMELINE

DATE	RATIO
Oct 2015	LCR > 60%
Jan 2016	LCR > 70%
Jan 2017	LCR > 80%
Jan 2018	LCR > 90%
Jan 2019	LCR > 100%

HAIRCUT AND RWA

EXAMPLE	HAIRCUT	RWA ¹
Central Bank Deposits	0%	0%
Government & Supranationals	0%	0% (min. AA-)
Government agencies	0% (level 1) or 15% (level 2)	0% (level 1) or 20% (level 2a)
Corporate Bonds	15% (level 2a) / 50% (level 2b)	20% (min. AA-)
Equities	50%	100% - 300% (publicly traded)
CIUs	+ 5%	See above

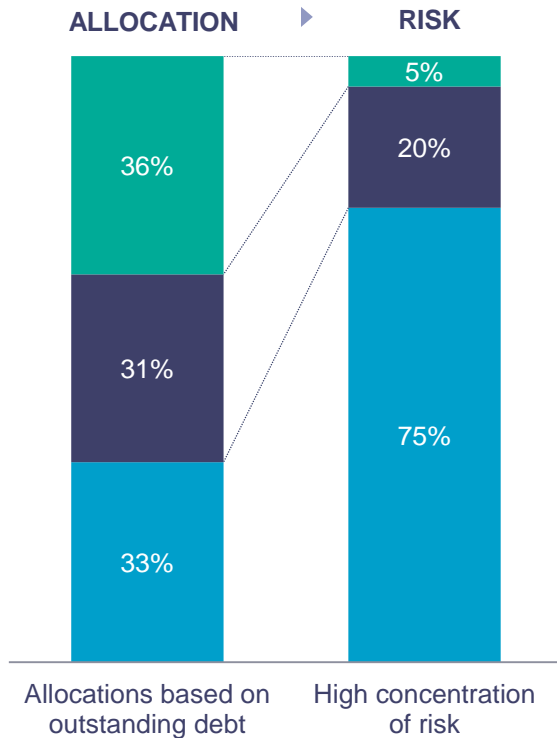
MANAGING INTEREST RATE RISK

- Asset managers have at their disposal multiple tools to hedge interest rate risk. Many offer multiple hedging strategies for interest rate & inflation.
- The decision to secure one's portfolio is costly and thus not taken in certain cases.
- Managing interest risk should be associated to a management process for it not to destroy performance.

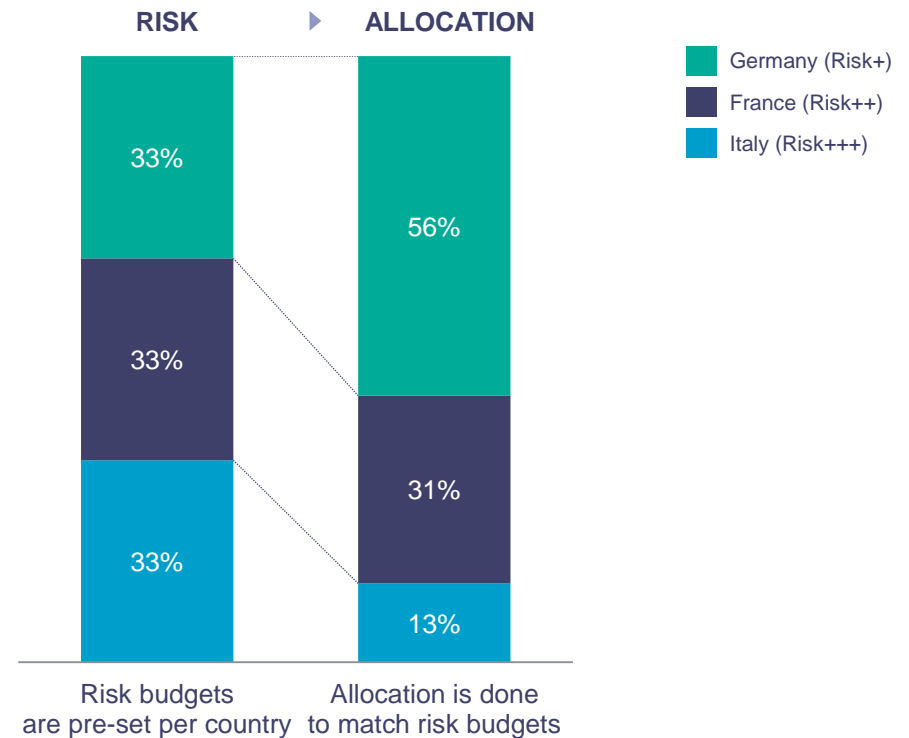
MANAGING CREDIT RISK

Risk based allocation

TRADITIONAL BUY & HOLD MANAGEMENT



RISK-BASED ALLOCATION



MANAGING CREDIT RISK

Risk reward optimization

- Taking into account credit risk and decompression impact goes through risk/expected return analysis
- Expected return is composed of :
 - Carry
 - Richness
 - Roll Down
 - Expectations
- The items composing the expected return could have divergent impacts

10YRS BONDS	Carry	Roll Down	Expectations	Richness	Total	Volatility
GERMANY	0.41%	1.53%	-2.65%	0.00%	-0.72%	4.65%
FRANCE	0.69%	1.46%	-2.66%	0.00%	-0.51%	5.37%
ITALY	1.89%	2.11%	-4.46%	-0.25%	-0.70%	6.70%
SPAIN	1.58%	1.62%	-3.57%	-0.04%	-0.40%	5.79%

- Key elements to decide and time your action

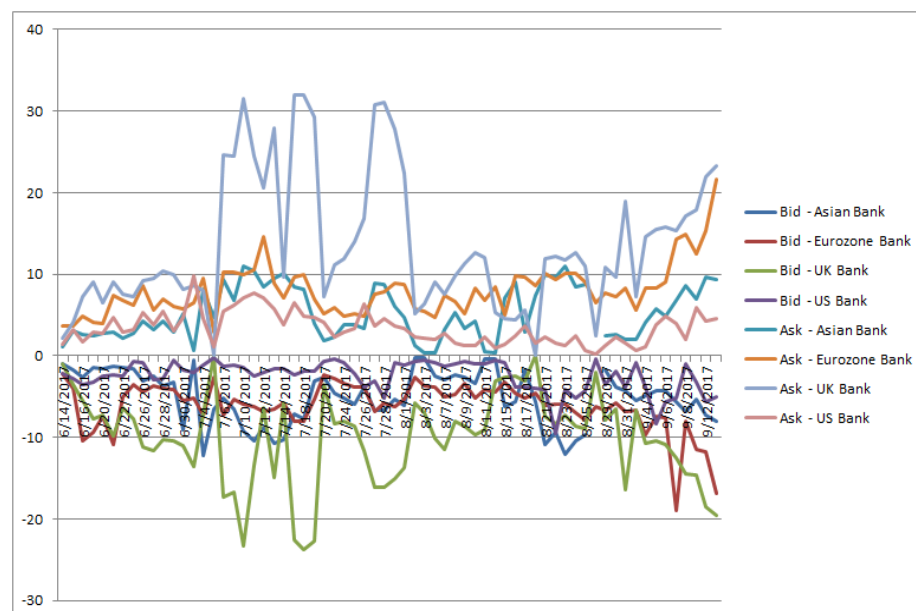
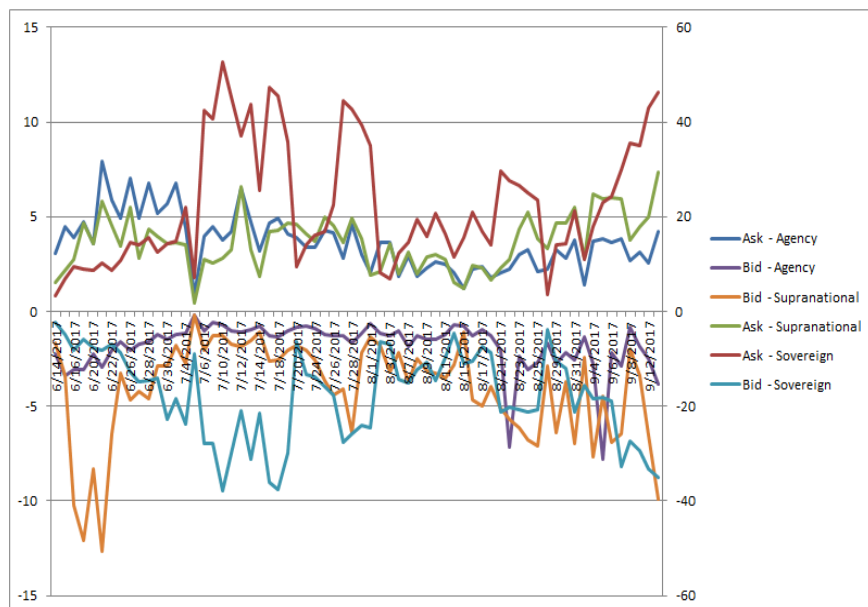
• Bloomberg, Lyxor AM

MANAGING LIQUIDTY RISK

Measuring the evolution of trading intentions



- Managing liquidity risk is about adapting your assets to your liabilities
- To do that you might act on either of them

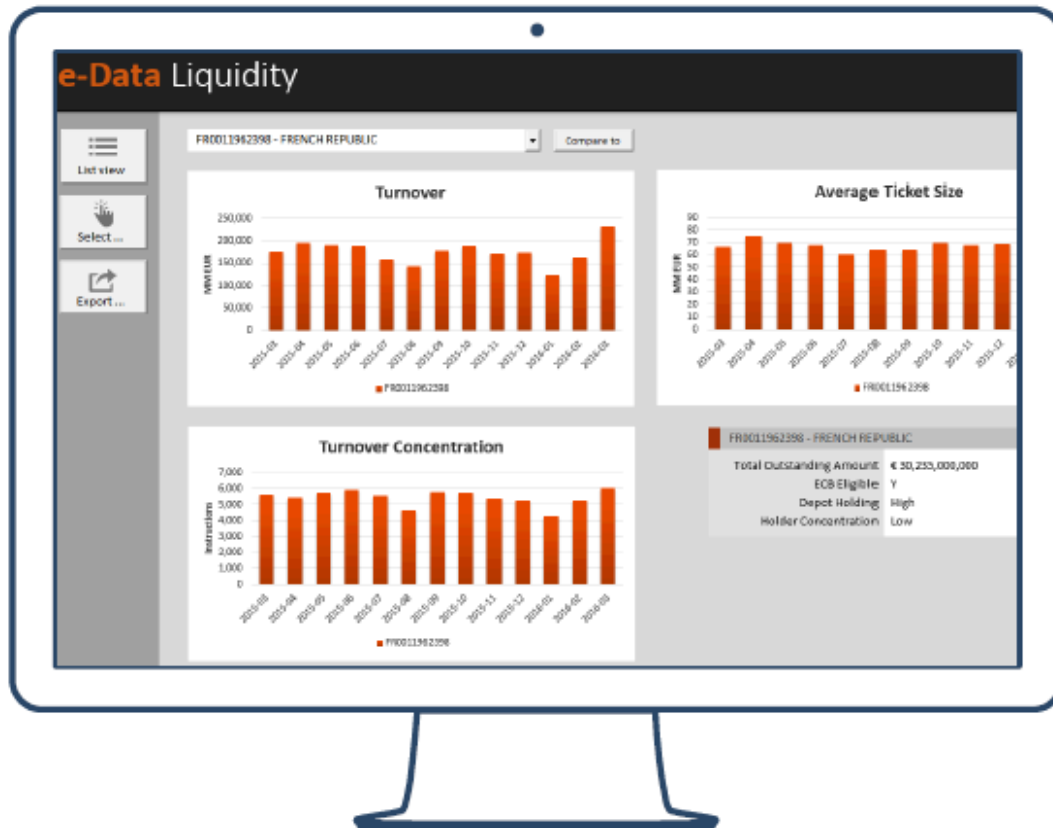


- 3 months extraction, 191 000 messages analyzed from the sent by our counterparts
- Analyzes counterpart positioning and willingness to trade
- Analyzes liquidity over various investment horizons and asset classes

• Lyxor AM

MANAGING LIQUIDITY RISK

Measuring historical asset liquidity



Web interface, available to external investors

E-DATA LIQUIDITY

a tool jointly developed by Lyxor and Euroclear

- **Liquidity insight** for over 40,000 actively traded European bonds
- Based on **actual transactions** of Euroclear (who treats ~60% of bond volume in Europe)

Allows

- To manage **liquidity risk**
- To **improve performance** (see next slide)

How does it work?

POTENTIAL USES



POTENTIAL ADVANTAGES FROM REPO-TRANSACTIONS

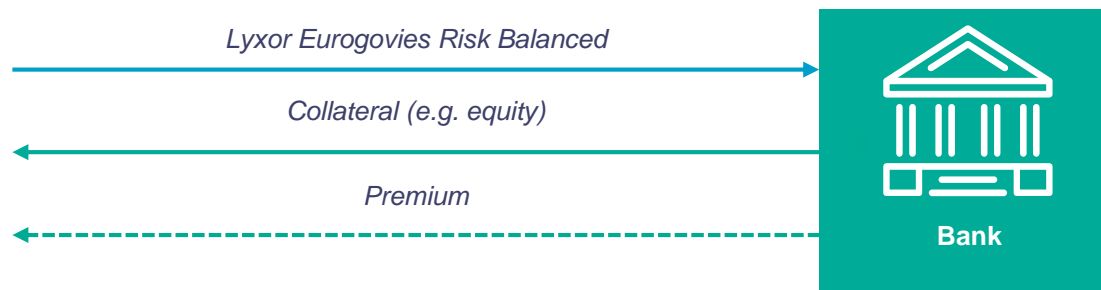
Generate a performance pickup

by engaging in a temporary transaction with a bank that provides an asset in exchange with a higher capital charge

Temporarily convert the fund into cash

without selling it (avoiding realizing profits or losses)

REPO-TRANSACTION ILLUSTRATION

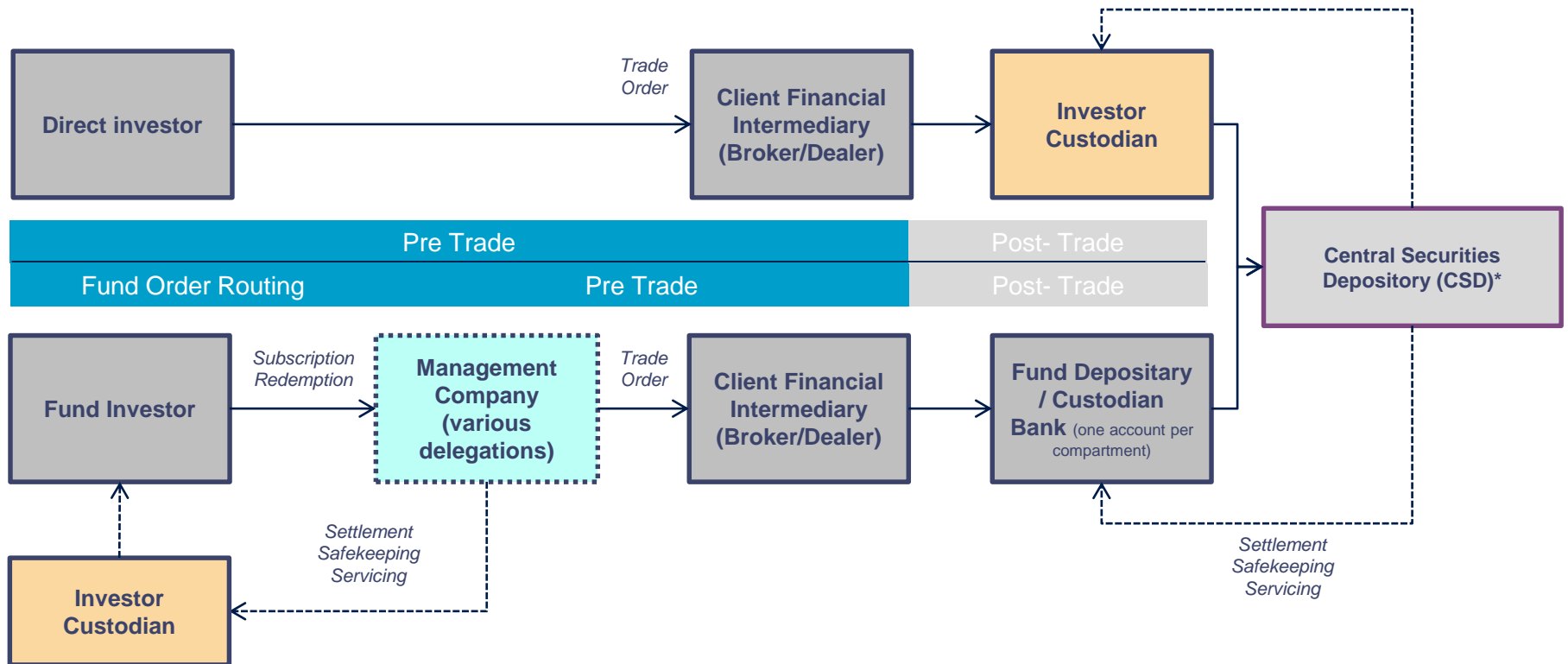


Lyxor Eurogovies Risk Balanced is available on an **electronic trading platform (Elixium)**

The platform allows **two parties**, who might be unaware of each other's interests, to **agree** on **commercial terms**

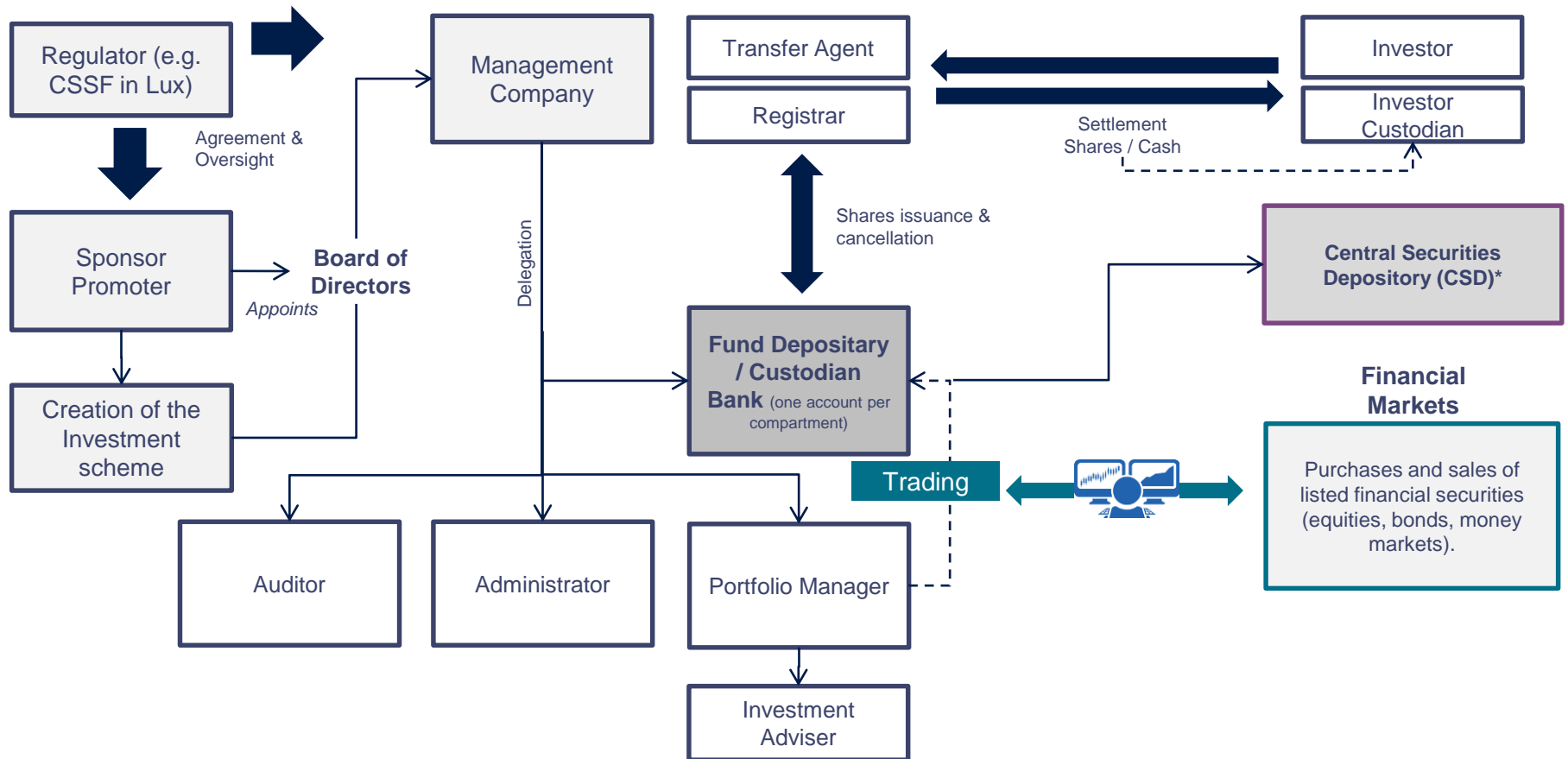
FUND VERSUS DIRECT INVESTMENT

What is the difference?



FUND VERSUS DIRECT INVESTMENT

The setup of a Luxembourg SICAV



FUND VERSUS DIRECT INVESTMENT

Fund's primary market access

SUBSCRIPTION / REDEMPTION			
SUBSCRIPTION REDEMPTION DEADLINE	VALUATION DAY	NAV PUBLICATION	SUBSCRIPTION REDEMPTION SETTLEMENT
11:00 am – Paris Time of valuation day	D Daily	D + 1 business day	D+ 2 business days

BIOGRAPHIES



JEAN SAYEGH

Head of Fixed Income

Principal Portfolio Manager Fixed Income

Joined Lyxor in 2008 to manage index funds

Head of treasury management and forex operations for structured asset management (2006)

Master degree in Finance from ESCP-EAP and bachelor degree in Economics



THIBAUT GIRE

Portfolio Manager

Joined Lyxor's Eurogovies Risk Balanced investment team in 2017

Joined Société Générale in 2012 as a quantitative analyst on exotic equity/hybrid derivatives

Ecole Centrale Paris and Master degree in financial mathematics from the University Paris VI (DEA El Karoui)



VINCENT POUDEROUX

Quantitative Engineer

Joined Lyxor's Fixed Income team in June 2017

Joined Societe Generale Group in 2007 as a Quantitative Analyst within SGAM AI Funds of Hedge Funds activity

Paris IX Dauphine University, Master Mathematics, Informatics and Applications to Social Sciences from the Pantheon Sorbonne University and Master of Statistical and Numerical Ingeneering from the Lille 1 University

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