

LYXOR UCITS ETF MSCI TAIWAN

INDEPENDENT AUDITOR'S REPORT

For the year ended February 27th 2015

2015.06.19 18:18:52 +0200



INDEPENDENT AUDITOR'S REPORT
For the year ended February 27th 2015

LYXOR UCITS ETF MSCI TAIWAN
Fund managed by
Lyxor International Asset Management

Report on the Financial Statements

We have audited the accompanying financial statements of LYXOR UCITS ETF MSCI TAIWAN ("The Fund"), which comprise the statement of financial position, including the schedule of investments, as at February 27, 2015 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable participating shareholders and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers Audit, SA, 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex
T: +33 (0) 1 56 57 58 59, F: +33 (0) 1 56 57 58 60, www.pwc.fr

Société d'expertise comptable inscrite au tableau de l'ordre de Paris - Ile de France. Société de commissariat aux comptes membre de la compagnie régionale de Versailles. Société Anonyme au capital de 2 510 460 €. Siège social : 63, rue de Villiers 92200 Neuilly-sur-Seine. RCS Nanterre 672 006 483. TVA n° FR 76 672 006 483. Siret 672 006 483 00362. Code APE 6920 Z. Bureaux : Bordeaux, Grenoble, Lille, Lyon, Marseille, Metz, Nantes, Nice, Paris, Poitiers, Rennes, Rouen, Strasbourg, Toulouse.



LYXOR UCITS ETF MSCI TAIWAN
Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at February 27, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Audit
Neuilly-sur-Seine

Marie-Christine Jetil, Partner

LYXOR UCITS ETF MSCI TAIWAN

STATEMENT OF FINANCIAL POSITION As at February 27, 2015

	Note	FEBRUARY 27, 2015	FEBRUARY 28, 2014
		USD	USD
Assets			
Investments	2(d)/15	41,024,778.64	36,209,258.73
Financial assets at fair value through profit or loss		41,024,778.64	36,209,258.73
Receivable on pending trade	2(l)	125,564.83	846,203.96
Total assets		41,150,343.47	37,055,462.69
Liabilities			
Swap	2(d)/15	509,435.10	339,476.63
Provisions for Management fees	3	19,873.89	18,500.13
Payable on pending trade	2(k)	125,564.83	846,203.96
Liabilities (excluding net assets attributable to holders of redeemable participating units)		654,873.82	1,204,180.72
Net assets attributable to holders of redeemable participating units		40,495,469.65	35,851,281.97
Total Liabilities		41,150,343.47	37,055,462.69

The accompanying notes form an integral part of these financial statements.

LYXOR UCITS ETF MSCI TAIWAN

STATEMENT OF COMPREHENSIVE INCOME
For the year ended February 27, 2015

	Note	FEBRUARY 27, 2015	FEBRUARY 28, 2014
		USD	USD
Income			
Realised (loss) / gain on investments		(1,964,758.72)	10,352,303.28
Realised gain / (loss) on derivative financial instruments		7,737,341.75	(7,149,972.07)
Net change in unrealised gain/(loss) on investments		(16,567.70)	(635,719.66)
Net change in unrealised gain/(loss) on derivative financial instruments		(169,958.47)	315,153.06
Net gain on financial assets at fair value through profit or loss	2(d)	5,586,056.86	2,881,764.61
Total Investment Income		5,586,056.86	2,881,764.61
Expenses			
Management and other fees	3	(270,639.74)	(323,075.07)
Total Operating expenses		(270,639.74)	(323,075.07)
Operating profit		5,315,417.12	2,558,689.54
Finance costs		0.00	0.00
Total Finance costs		0.00	0.00
Increase in net assets attributable to holders of redeemable participating units from operations		5,315,417.12	2,558,689.54

The accompanying notes form an integral part of these financial statements.

LYXOR UCITS ETF MSCI TAIWAN

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING UNITS

For the year ended February 27, 2015

	Note	FEBRUARY 27, 2015 USD	FEBRUARY 28, 2014 USD
Net assets attributable to holders of redeemable participating units at the beginning of the period	7	35,851,281.97	56,790,271.61
Proceeds from redeemable participating units issued	6	18,611,841.32	15,264,467.10
Redemptions of redeemable participating units	6	(19,283,070.76)	(38,762,146.28)
Total		35,180,052.53	33,292,592.43
Operating profit		5,315,417.12	2,558,689.54
Net assets attributable to holders of redeemable participating units at end of the period	7	40,495,469.65	35,851,281.97

The accompanying notes form an integral part of these financial statements.

LYXOR UCITS ETF MSCI TAIWAN

STATEMENT OF CASH FLOWS
For the year ended February 27, 2015

	FEBRUARY 27, 2015 USD	FEBRUARY 28, 2014 USD
Cash flows from operating activities		
Purchase of financial assets	(259,978,622.62)	(223,728,295.00)
Proceeds from sale of investments	253,067,739.46	255,663,770.01
Proceeds from derivative financial instruments	7,851,378.58	(8,021,155.00)
Operating expenses paid	(269,265.98)	(335,088.83)
Net cash inflow from operating activities	671,229.44	23,579,231.18
Cash flows from financing activities		
Proceeds from redeemable shares	18,611,841.32	15,264,467.10
Redemptions of redeemable shares	(19,283,070.76)	(38,762,146.28)
Net cash (outflow) from financing activities	(671,229.44)	(23,497,679.18)
Effect of change in foreign exchange rate on cash	0.00	(81,552.00)
Net increase in cash and cash equivalents	0.00	0.00
Cash and cash equivalents at beginning of the period	0.00	0.00
Cash and cash equivalents at end of the period	0.00	0.00

The accompanying notes form an integral part of these financial statements.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

1 General information

LYXOR UCITS ETF MSCI TAIWAN (“the Fund”) is an open-ended standalone collective investment scheme constituted outside Singapore and recognized under Section 287 of the SFA. The Fund is a *fonds commun de placement* (“FCP”) approved by the French financial markets authority, namely the *Autorité des Marchés Financiers* (“AMF” or the “Financial Markets Authority”), on 21 November 2006 and established in France on 13 February 2007. The Fund is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

Following French regulation, the Fund is publishing its financial statements in accordance with French GAAP and in French language. The following IFRS financial statements have been prepared for the purpose of the Fund’s listing in Singapore.

Investment objective

The Fund’s investment objective is to gain exposure to the Taiwanese equities market by replicating movements in MSCI TAIWANTM (the “Index”) while minimizing as far as possible the tracking error between the Fund’s performance and that of the Index.

The Fund aims to achieve a tracking error, calculated over a period of 52 weeks, of less than 1%. Should the tracking error be higher than 1%, however, the Fund still aims to achieve a rate of tracking error that is less than 5% of the volatility of Index.

In order to provide the greatest possible correlation between the Fund’s performance with the performance of the Index, the Fund may purchase :

- (i) a basket of international and Euro zone shares from all economic sectors and listed on any recognised exchange including the small capitalisation markets (the “Basket of Stocks”);
- (ii) and subject to a limit of 10% of the Fund’s assets (as further described in paragraph 7.6 of the prospectus of the Fund (“the Prospectus”)), financial derivative instruments on equities and indices negotiated over-the-counter. In particular, the Manager currently intends to enter into swap agreements (the “Swaps”) with a counterparty selected by the Manager. The Swaps would essentially exchange the performance of the Index with that of the Basket of Stocks such that the counterparty or the Fund will be required to provide the other with the difference (if any) between (a) the performance of the Index (with cumulated net dividend) and (b) the performance of the Basket of Stocks.

As part of the management of the Basket of Stocks, the Fund qualifies for the special investment ratios applicable to index-based UCITS under the applicable laws in that an index-based UCITS is entitled to use a maximum of 20% of its assets to acquire shares of a single issuing entity, and this 20% limit can be increased to 35% for one of such single issuing entities which the index-based UCITS invests in.

The Fund, nonetheless, currently intends only to invest in accordance with the standard investment restrictions of 10% in a single issuing entity.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

(a) Basis of preparations

These financial statements have been prepared on the historical cost basis except for the revaluation of financial assets and liabilities at fair value through profit or loss and in accordance with International Financial Reporting Standards (IFRS). The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

Standards, amendments and interpretations effective in the financial year ending February 27, 2015 and relevant for the Fund's operations:

The following interpretation is mandatory for the Fund's accounting periods ending February 27, 2015 and is relevant for the Fund's operations:

- Amendment IAS 32, 'Financial instruments: Presentation', offsetting financial assets and financial liabilities (effective from January 1, 2014).

Standards, amendments and interpretations effective in the financial year ending February 27, 2015 but not relevant for the Fund's operations:

The following interpretations are mandatory for the Fund's accounting periods ending February 27, 2015 and are not relevant for the Fund's operations:

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities" – Exception to consolidation (effective from January 1, 2014);
- Amendments to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting (effective from January 1, 2014);
- IFRIC 21, "Levies"- Interpretation on IAS 37 "Provisions, contingent liabilities and contingent assets" (effective from January 1, 2014).

Standards, amendments and interpretations to existing standards which are not yet effective and will be relevant for the Fund's operations:

The following interpretation is mandatory for the Fund's accounting periods beginning on or after January 1, 2015 or later periods and will be relevant for the Fund's operations in financial statements as of

- January 31, 2019: IFRS 9, "Financial instruments" (effective from January 1, 2018).

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Fund.

All references to net assets throughout this document refer to net assets attributable to holders of redeemable participating units unless otherwise stated.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

The Fund is invested in securities traded on regulated markets and in a performance Swap (“Swap”). In addition, the Cash and cash equivalent is managed so as always be more or less equal to nil. It is therefore not relevant to proceed to a segment analysis.

(c) Functional and presentation currency

Items included in the Fund’s financial statements are measured using the primary currency used by investors to subscribe in the Fund. The financial statements are presented in USD, which is the Fund’s functional and presentation currency.

(d) Financial assets and liabilities at fair value through profit or loss

The Fund invests in an equity basket and a performance swap. The basket is composed of european and international equities. The Swap consists in swapping the performance of this basket against the MSCI TAIWANTM performance.

Classification

Financial assets and liabilities have been designated by management at fair value through profit or loss at inception.

Recognition

Regular-way purchases and sales of investments are recognised on trade date – the date on which the Fund commits to purchase or sell the asset. Financial assets and liabilities are derecognised when the rights to receive cash flows from the securities have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Measurement

Investments are initially recognised at fair value, and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred.

Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the statement of comprehensive income in the period in which they arise.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets are based on quoted market prices at mid price on reporting date.

The Fund adopted IFRS 13, ‘Fair value measurement’, from 1 March 2013. IFRS 13 aims to improve consistency and reduce complexity by providing a precise decision of fair value and a single source of fair value measurement for all IFRS standards.

As a result, the Fund changed its fair valuation inputs to use a close of business mid market price within the bid-ask spread for listed financial assets on active market (ie: equities of the basket) when the inputs used last year were the official close of business bid prices on reporting date. There is not material difference in the fair value measurement due to IFRS 13 first application.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The swap is valued at its fair market value as determined in good faith by the Counterparty using a pricing methodology taking into account observable market data such as time value, intrinsic value, interest rates and dividends, and non observable market data such as correlation between the constituents of the Basket of Stocks and volatility.

The Fund's financial assets and financial liabilities are held for the purpose of being traded or are expected to be realised within one year.

The Manager is checking the swap price, using its own pricing methodology which consists in computing a set of parameters (observable traditional market data such as interest rates, non observable implicit data such as volatility and correlation) in an independent pricing tool (which is also commonly used by market participants). The pricing is conducted by a dedicated team.

The resulting unrealised gains and losses on investments are recognised in the statement of comprehensive income. Security transactions are accounted for on the trade date (the date on which the order to buy or sell is executed). Realised gains and losses on sales of securities are calculated on an average cost basis and are recorded in the statement of comprehensive income.

The Fund adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level I – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The type of investments which would generally be included would include equities and derivatives listed on a securities exchange.
- Level II – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly (including quoted prices for similar investments in active markets, interest rates and yield curves, credit risks, etc.). The type of investments which would generally be included in this category would include corporate bonds, bank debt and certain over-the-counter derivatives.
- Level III – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The type of investments which would generally be included in this category would include private or debt securities issued by private entities. The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Fund currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

There is no such case in the financial assets and liabilities of the Fund at reporting date.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

(e) Foreign exchange

The exchange rate used to value instruments in currency is the close fixing WM Reuters of the day before the valuation day.

Foreign currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income and included in realised and unrealised gains/(loss) on investments.

(f) Investment income and expenses

Dividend income on equity is credited to Dividend Income in the statement of comprehensive income when the security is quoted as ex-dividend.

All expenses are accounted for on an accrual basis.

(g) Redeemable participating units

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as financial liabilities in accordance with IAS 32, 'Financial Instruments – Presentation'. Redeemable units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value.

The redeemable unit is carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the unit back to the Fund.

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net assets value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of redeemable units with the total number of outstanding redeemable units.

The Fund has adopted IFRS 13 in 2013 and has changed its valuation input for listed financial assets and liabilities to mid price. This is consistent with the inputs prescribed in the Fund's offering document for the calculation of its per share trading value. In the prior year, the Fund utilised bid and ask prices for its listed financial assets and liabilities in accordance with IAS 39. There is no material difference between the two methods.

(h) Proceeds and payments on issue and redemption of units

The net asset value of the Fund is computed daily.

Prices for issues and redemptions are based on the latest available underlying prices on the day immediately preceding the valuation day (usually the underlying closing prices).

Proceeds and payments for units issued and redeemed during fund life are shown as movements in the statement of changes in net assets attributable to holders of redeemable participating units.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held and other short-term highly liquid investments with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances net of bank overdrafts.

(j) Pre-operation costs

There were no pre-operation costs incurred by the Fund.

(k) Accrued expenses and other payables

Accrued expenses and other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(l) Other receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified

(m) Finance costs

Distributions to holders of redeemable units and other finance costs such as interest expenses are recognised in the statement of comprehensive income as finance costs.

(n) Critical accounting estimates and judgements

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Fair value of derivative financial instruments

The Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as over-the-counter derivatives. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques are used to determine fair value, they are validated and periodically reviewed by experienced personnel at the Manager's.

The Fund's financial assets and financial liabilities are held for the purpose of being traded or are expected to be realised within one year.

3 Fees

Management fees

The operating expenses supported by the Fund represent 0.65 percent per annum of the net assets. As at February 27, 2015, management fees are USD 250,765.85 and provision for management fees USD 19,873.89.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

These expenses recover all the expenses invoiced directly to the fund, with the exception of transaction fees. Transaction fees include the expenses of brokerage (courtage, stock exchange taxes) and the movement commission, if necessary, which can be notably perceived by the depositary and the management company.

Lyxor International Asset Management is not entitled to receive commissions in kind either for his account or for a third party.

4 Distributions payable to holders of redeemable shares

Proposed distributions to holders of redeemable shares are recognised in the income statement when they are ratified by the Manager. The distribution on these redeemable shares is recognised in the statement of comprehensive income as finance cost.

Distributions per unit (expressed in USD) to holders of redeemable shares at February 27, 2015

Share class	Interim distribution	Distribution	Total
USD/FR0010398701	-	-	-
D-EUR/FR0010444786	-	-	-
D-USD/FR0010444794	-	-	-
Total	-	-	-

Distributions per unit (expressed in USD) to holders of redeemable shares at February 28, 2014

Share class	Interim distribution	Distribution	Total
USD/FR0010398701	-	-	-
D-EUR/FR0010444786	-	-	-
D-USD/FR0010444794	-	-	-
Total	-	-	-

For the year ended February 27, 2015, no dividend for holders of shares will be proposed by the Manager.

5 Bank loans, overdrafts and other borrowings

There were no bank loans and other borrowings as at February 27, 2015.

6 Units in issue

	For the year ended February 27, 2015	For the year ended February 28, 2014
Units outstanding at the beginning of the period	8,960,089.000	13,005,348.000
Units issued	1,615,000.000	2,410,100.000
Units redeemed	(1,692,500.000)	(6,455,359.000)
Units outstanding at the end of the period	8,882,589.000	8,960,089.000

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

7 Net asset value per unit

	As at February 27, 2015	As at February 28, 2014
Net assets attributable to holders of Redeemable participating units (share USD)	7,397,652.57	6,401,483.81
Net assets attributable to holders of Redeemable participating units (share D-EUR)	26,968,145.23	23,910,848.61
Net assets attributable to holders of Redeemable participating units (share D-USD)	6,129,671.85	5,538,949.55
Number of units in issue (share USD)	6,136,889.00	6,136,889.00
Number of units in issue (share D-EUR)	2,237,200.00	2,292,200.00
Number of units in issue (share D-USD)	508,500.00	531,000.00
Net asset value per unit (share USD)	1.2054	1.0431
Net asset value per unit (share D-EUR)	12.0544	10.4313
Net asset value per unit (share D-USD)	12.0544	10.4311

8 Transactions with Manager and its related parties

(a) Investment transactions with related parties of the Manager

The following is a summary of the transactions entered into during the year between the Fund and the Manager and its related parties:

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
	USD			%
<u>Year ended February 27, 2015</u>				
Société Générale	513,046,362.08	100.00	0.00	0.00
<u>Year ended February 28, 2014</u>				
Société Générale	570,276,054.69	100.00	0.00	0.00

As at February 27, 2015, the equity linked swap concluded with Société Générale has a market value of USD (509,435.10).

The Manager, Lyxor International Asset Management, is also a 100% subsidiary of Société Générale.

(b) The Fund utilises the brokerage, custodian, agency and banking services of Société Générale, related parties of the Manager.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

9 Soft commission arrangements

During the year, the Manager and its connected persons did not enter into any soft commission arrangements with brokers.

10 Stock lending arrangements

There are no stock-lending arrangements.

11 Commitments

There are no commitments.

12 Negotiability of assets

The Fund's assets are not restricted by statutory or contractual requirements and therefore are freely negotiable.

13 Contingent liabilities

There are no contingent liabilities.

14 Post-statement of financial position events

There are no post-statement of financial position events.

15 Financial risk factors

The following summary is not intended to be a comprehensive outline of all risks and investors should refer to the Prospectus for a more detailed discussion of the risks inherent in investing in the Fund.

The general risks of investing in the Fund are as follows:

(a) while the Manager believes that the Fund offers income revenue and potential for capital appreciation, no assurance can be given that these objectives will be achieved. Prospective investors should read this Prospectus and discuss all risks with their financial and legal advisers before making an investment decision;

(b) investors may not get back their original investment. Investments in the Fund are not suitable for short term speculation;

(c) prospective investors should be aware that the price of Units may go down as well as up in response to changes in interest rates, foreign exchange, economic and political conditions and the financial condition of issuers whose securities are in the Index; and

(d) dealings in the Units and the calculation of the NAV thereof may be suspended or deferred in certain circumstances.

The specific risks of investing in the Fund are as follows :

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

Market and Equity risk

The Fund's NAV and trading prices will react to securities markets movements. Investors may lose money over short periods due to fluctuation in the Fund's NAV and trading price in response to market movements, and over longer periods during market downturns.

Notwithstanding the composition of the investment portfolio, the Fund is entirely exposed through the swap to the MSCI TAIWANTM, and is therefore exposed to 100% of market risks linked to movements in equities comprised in the Index. Unitholders are thus exposed to any declines in the Index. The Fund therefore carries an equity high risk profile.

The Fund's investments in the Taiwanese market and its exposure to this market may involve a greater risk of potential losses than investments or exposure to developed markets, notably arising from higher market volatility, a lower trading volume in the relevant assets, possible economic and/or political instability, risks of market closure or government restrictions on foreign investment.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

The overall market exposures were as follows:

As at February 27, 2015, the composition of the MSCI TAIWAN™ is as follows.

Name	Ticker	% weight in the index
Acer Inc	2353 TT Equity	0.352779
Advanced Semiconductor Engineering Inc	2311 TT Equity	1.673342
Advantech Co Ltd	2395 TT Equity	0.476478
Asia Cement Corp	1102 TT Equity	0.534397
Asia Pacific Telecom Co Ltd	3682 TT Equity	0.184240
Asustek Computer Inc	2357 TT Equity	1.456024
AU Optronics Corp	2409 TT Equity	0.905984
Catcher Technology Co Ltd	2474 TT Equity	1.158876
Cathay Financial Holding Co Ltd	2882 TT Equity	2.466920
Chailease Holding Co Ltd	5871 TT Equity	0.449576
Chang Hwa Commercial Bank Ltd	2801 TT Equity	0.552981
Cheng Shin Rubber Industry Co Ltd	2105 TT Equity	0.776403
Chicony Electronics Co Ltd	2385 TT Equity	0.268365
China Airlines Ltd	2610 TT Equity	0.253051
China Development Financial Holding Corp	2883 TT Equity	0.932272
China Life Insurance Co Ltd/Taiwan	2823 TT Equity	0.492236
China Motor Corp	2204 TT Equity	0.094644
China Steel Corp	2002 TT Equity	1.946511
Chunghwa Telecom Co Ltd	2412 TT Equity	2.359063
Clevo Co	2362 TT Equity	0.136740
Compal Electronics Inc	2324 TT Equity	0.646613
CTBC Financial Holding Co Ltd	2891 TT Equity	1.813757
CTCI Corp	9933 TT Equity	0.196357
Delta Electronics Inc	2308 TT Equity	2.345432
E.Sun Financial Holding Co Ltd	2884 TT Equity	0.786295
Eclat Textile Co Ltd	1476 TT Equity	0.385966
Epistar Corp	2448 TT Equity	0.377117
Eva Airways Corp	2618 TT Equity	0.271744
Evergreen Marine Corp Taiwan Ltd	2603 TT Equity	0.242982
Far Eastern Department Stores Ltd	2903 TT Equity	0.171907
Far Eastern New Century Corp	1402 TT Equity	0.648738
Far EasTone Telecommunications Co Ltd	4904 TT Equity	0.783049
Farglory Land Development Co Ltd	5522 TT Equity	0.098998
First Financial Holding Co Ltd	2892 TT Equity	0.868407
Formosa Chemicals & Fibre Corp	1326 TT Equity	1.434281
Formosa International Hotels Corp	2707 TT Equity	0.084960
Formosa Petrochemical Corp	6505 TT Equity	0.497040
Formosa Plastics Corp	1301 TT Equity	2.026643
Formosa Taffeta Co Ltd	1434 TT Equity	0.159066
Foxconn Technology Co Ltd	2354 TT Equity	0.456968
Fubon Financial Holding Co Ltd	2881 TT Equity	2.354199
Giant Manufacturing Co Ltd	9921 TT Equity	0.542226
Hermes Microvision Inc	3658 TT Equity	0.387466
Highwealth Construction Corp	2542 TT Equity	0.246638
Hiwin Technologies Corp	2049 TT Equity	0.314135
Hon Hai Precision Industry Co Ltd	2317 TT Equity	6.880029
Hotai Motor Co Ltd	2207 TT Equity	0.742487
HTC Corp	2498 TT Equity	0.650064
Hua Nan Financial Holdings Co Ltd	2880 TT Equity	0.689741

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

Name	Ticker	% weight in the index
Innolux Corp	3481 TT Equity	0.810379
Inotera Memories Inc	3474 TT Equity	0.669915
Inventec Corp	2356 TT Equity	0.355167
Kinsus Interconnect Technology Corp	3189 TT Equity	0.171659
Largan Precision Co Ltd	3008 TT Equity	1.703995
Lite-On Technology Corp	2301 TT Equity	0.530896
MediaTek Inc	2454 TT Equity	4.226589
Mega Financial Holding Co Ltd	2886 TT Equity	1.570496
Merida Industry Co Ltd	9914 TT Equity	0.335303
Nan Ya Plastics Corp	1303 TT Equity	2.051007
Novatek Microelectronics Corp	3034 TT Equity	0.617436
Pegatron Corp	4938 TT Equity	0.885788
Phison Electronics Corp	8299 TT Equity	0.209235
Pou Chen Corp	9904 TT Equity	0.590021
Powertech Technology Inc	6239 TT Equity	0.237985
President Chain Store Corp	2912 TT Equity	0.881742
Quanta Computer Inc	2382 TT Equity	1.356796
Radiant Opto-Electronics Corp	6176 TT Equity	0.288972
Realtek Semiconductor Corp	2379 TT Equity	0.282618
Ruentex Development Co Ltd	9945 TT Equity	0.212461
Ruentex Industries Ltd	2915 TT Equity	0.242038
ScinoPharm Taiwan Ltd	1789 TT Equity	0.064375
Shin Kong Financial Holding Co Ltd	2888 TT Equity	0.448511
Siliconware Precision Industries Co	2325 TT Equity	1.045915
Simplo Technology Co Ltd	6121 TT Equity	0.273547
SinoPac Financial Holdings Co Ltd	2890 TT Equity	0.607485
Standard Foods Corp	1227 TT Equity	0.152480
Synnex Technology International Corp	2347 TT Equity	0.368244
Taishin Financial Holding Co Ltd	2887 TT Equity	0.676233
Taiwan Business Bank	2834 TT Equity	0.234294
Taiwan Cement Corp	1101 TT Equity	0.901989
Taiwan Cooperative Financial Holding Co	5880 TT Equity	0.674870
Taiwan Fertilizer Co Ltd	1722 TT Equity	0.270039
Taiwan Glass Industry Corp	1802 TT Equity	0.140072
Taiwan Mobile Co Ltd	3045 TT Equity	1.138806
Teco Electric and Machinery Co Ltd	1504 TT Equity	0.386574
TPK Holding Co Ltd	3673 TT Equity	0.354793
Transcend Information Inc	2451 TT Equity	0.126795
TSMC	2330 TT Equity	23.42940
TSRC Corp	2103 TT Equity	0.121277
U-Ming Marine Transport Corp	2606 TT Equity	0.128923
Unimicron Technology Corp	3037 TT Equity	0.164528
Uni-President Enterprises Corp	1216 TT Equity	1.549655
United Microelectronics Corp	2303 TT Equity	1.220609
Vanguard International Semiconductor Cor	5347 TT Equity	0.283229
Walsin Lihwa Corp	1605 TT Equity	0.204418
Wistron Corp	3231 TT Equity	0.423913
WPG Holdings Ltd	3702 TT Equity	0.358444
Yang Ming Marine Transport Corp	2609 TT Equity	0.151420
Yuanta Financial Holding Co Ltd	2885 TT Equity	0.866189
Yulon Motor Co Ltd	2201 TT Equity	0.245487
Zhen Ding Technology Holding Ltd	4958 TT Equity	0.182803

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

Market risks are controlled by the Manager through tracking error monitoring on a daily basis.

The overall market exposures were as follows:

At February 27, 2015	Fair Value	% Net Assets
Equities at fair value through profit and loss	41,024,778.64	101.31%
Derivative liabilities at fair value through profit and loss	(509,435.10)	(1.26%)
Derivative liabilities held for trading	-	-
Securities designated at fair value through profit or loss	-	-
Securities sold short	-	-

At February 28, 2014	Fair Value	% Net Assets
Equities at fair value through profit and loss	36,209,258.73	101.00%
Derivative liabilities at fair value through profit and loss	(339,476.63)	(0.95%)
Derivative liabilities held for trading	-	-
Securities designated at fair value through profit or loss	-	-
Securities sold short	-	-

Tracking error risk

Changes in the NAV of the Fund are unlikely to replicate exactly changes in the Index. Factors such as fees and expenses of the Fund, liquidity of the market, imperfect correlation of returns between the Fund's securities and those in the Index, changes to the Index and regulatory policies may affect the Manager's ability to achieve close correlation with the Index. Imperfect correlation between the returns of portfolio securities and the Index is more likely to happen to the extent that the Fund invests in securities that are Non-Index Securities or invests in those Index Securities with different weighting from that of the Index. The Fund's returns may therefore deviate from those of the Index. In addition, a fall in the Index may result in a corresponding fall in the NAV of the Fund.

The tracking error objective calculated over a period of 52 weeks is less than 1%. If the tracking error exceeds 1% nonetheless, the objective is to remain below 5% of the volatility of the MSCI TAIWANTM index.

The tracking error as at February 27, 2015 is 0.0425% (0.0645% as at February 28, 2014).

Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

Credit risk, counterparty risk and settlement risk

Credit risk, is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the statement of financial position, if any.

Counterparty risk is the risk that the party trading with the Fund will be unable to meet its obligation to make payments or to settle a trade by the counterparty.

The counterparty risk is reduced by the fact that different divisions within Société Générale will be responsible for selecting, monitoring and providing custody over the Fund's assets. Société Générale's compliance procedures require effective segregation of duties and responsibilities between relevant divisions within Société Générale: each division is run as a separate operational unit, segregated by Chinese walls and run by different management teams.

The Fund also bears the risk that the settlement fails for whatever reason.

To minimize those risks, Société Générale has been selected as the only counterparty of the Resetable Swap. As of February 27, 2015, Société Générale had a credit rating of A from Standard & Poor's (A in 2014).

In accordance with the Fund's policy, the Manager monitors the Fund's credit positions on a daily basis.

Foreign exchange risk

Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency. As the Index replicated by the Fund is calculated in Taiwanese Dollar, its constituents are quoted in Taiwanese Dollar and the Units are denominated in US Dollar, the Fund and its Holders will be exposed to the fluctuation of the exchange rates between Taiwanese Dollar and US Dollar.

As the Fund primarily intends to provide investment results that track that of the Index, the Fund does not have a hedging policy and does not intend to enter into any foreign exchange contract in this respect. As far as the Manager or its directors are aware, there is currently no foreign exchange controls or restrictions which are of relevance to the Fund or its investment objective or policy.

Liquidity Risk

The Fund is exposed to daily cash redemptions of redeemable shares. At February 27, 2015, the redeemable units amounted to USD 40,495,469.65 increasing by 12.95% in comparison with February 28, 2014 (USD 35,851,281.97). It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of; it invests only a limited proportion of its assets in investments not actively traded on a stock exchange.

The Fund's listed securities are considered readily realisable, as they are listed on the main European stock exchanges. The price at which portfolio securities may be purchased or sold by the Fund upon any rebalancing activities or otherwise and the value of the Units will be adversely affected if trading markets for the Fund's portfolio securities are limited or absent or if bid-offer spreads are wide.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

The Fund's Over-The-Counter derivative contracts may be illiquid. In order to meet realisation requests, the Swap Counterparty is compelled to quote a daily price to unwind any part of the Resettable Swap. The price will reflect the market liquidity conditions and the size of transactions.

The tables below summarises the Fund's liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date :

At February 27, 2015 (in USD)	Less than 3 months	3 – 12 months	More than 12 months	No stated maturity	Total
Liabilities :					
Accrued expenses and other payables	145,438.72	-	-	-	145,438.72
Due to the bank	-	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	509,435.10	-	509,435.10
Redeemable shares	40,495,469.65	-	-	-	40,495,469.65
Total liabilities	40,640,908.37	-	509,435.10	-	41,150,343.47

At February 28, 2014 (in USD)	Less than 3 months	3 – 12 months	More than 12 months	No stated maturity	Total
Liabilities :					
Accrued expenses and other payables	18,500.13	-	-	-	18,500.13
Due to the bank	-	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	339,476.63	-	339,476.63
Redeemable shares	35,851,281.97	-	-	-	35,851,281.97
Total liabilities	36,209,258.73	-	-	-	36,209,258.73

In accordance with the Fund's policy, the Manager monitors the Fund's liquidity positions on a daily basis.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

Fair value measurement risk

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities measured at fair value at February 27, 2015, as discussed in note 2 (d):

At February 27, 2015

	Level 1	Level 2	Level 3	Total Balance
Assets				
Financial assets designated at fair value through profit or loss				
Investments	41,024,778.64	-	-	41,024,778.64
Swap	-	-	-	-
Total financial assets at fair value	41,024,778.64	-	-	41,024,778.64
Liabilities				
Financial liabilities designated at fair value through profit or loss				
Investments	-	-	-	-
Swap	-	509,435.10	-	509,435.10
Total financial liabilities at fair value	-	509,435.10	-	509,435.10

At February 28, 2014

	Level 1	Level 2	Level 3	Total Balance
Assets				
Financial assets designated at fair value through profit or loss				
Investments	36,209,258.73	-	-	36,209,258.73
Swap	-	-	-	-
Total financial assets at fair value	36,209,258.73	-	-	36,209,258.73
Liabilities				
Financial liabilities designated at fair value through profit or loss				
Investments	-	-	-	-
Swap	-	339,476.63	-	339,476.63
Total financial liabilities at fair value	-	339,476.63	-	339,476.63

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

The following tables analyze within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value:

As at February 27, 2015

Assets	Level 1	Level 2	Level 3	Total Balance
Financial assets held for trading:				
Equity securities				
Belgium :				
Brewers	2,914,734.83	-	-	2,914,734.83
Specialty Chemicals	269,459.81	-	-	269,459.81
Denmark :				
Pharmaceuticals	1,465,639.40	-	-	1,465,639.40
Finland :				
Conventional Electricity	1,331,453.60	-	-	1,331,453.60
Full Line Insurance	650,743.64	-	-	650,743.64
Germany :				
Automobiles	3,518,708.05	-	-	3,518,708.05
Banks	123,424.96	-	-	123,424.96
Health Care Providers	149,861.88	-	-	149,861.88
Conventional Electricity	1,207,376.32	-	-	1,207,376.32
Mobile Telecommunications	1,193,655.59	-	-	1,193,655.59
Pharmaceuticals	1,649,032.05	-	-	1,649,032.05
Real Estate Holding and Development	634,464.16	-	-	634,464.16
Reinsurance	391,996.49	-	-	391,996.49
Semiconductors	1,415,101.10	-	-	1,415,101.10
Software	278,061.30	-	-	278,061.30
Specialty Chemicals	1,392,821.45	-	-	1,392,821.45
Transportation Services	194,380.66	-	-	194,380.66
Luxembourg :				
Fixed Line Telecommunications	2,699,152.92	-	-	2,699,152.92
Netherlands :				
Banks	2,935,858.81	-	-	2,935,858.81
Diversified Industrials	1,977,249.67	-	-	1,977,249.67
Diversified REITs	71,304.64	-	-	71,304.64
Fixed Line Telecommunications	88,402.68	-	-	88,402.68
Full Line Insurance	1,613,298.76	-	-	1,613,298.76
Publishing	260,413.31	-	-	260,413.31

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

Semiconductors	1,593,147.04	-	-	1,593,147.04
Norway :				
Diversified Industrials	592,908.56	-	-	592,908.56
Portugal :				
Banks	520,783.42	-	-	520,783.42
Russia :				
Exploration and Production	2,612,011.35	-	-	2,612,011.35
Mobile Telecommunications	480,242.31	-	-	480,242.31
Nonferrous Metals	2,846,171.68	-	-	2,846,171.68
Spain :				
Apparel Retailers	817,149.95	-	-	817,149.95
Banks	535,393.95	-	-	535,393.95
Diversified REITs	17,013.19	-	-	17,013.19
Fixed Line Telecommunications	100,120.14	-	-	100,120.14
Gas Distribution	553,478.55	-	-	553,478.55
Integrated Oil and Gas	192,660.58	-	-	192,660.58
Sweden :				
Fixed Line Telecommunications	426,958.38	-	-	426,958.38
Switzerland :				
Biotechnology	1,252,181.01	-	-	1,252,181.01
Industrial Machinery	54,766.96	-	-	54,766.96
Specialty Retailers	3,195.49	-	-	3,195.49
Total financial assets at fair value	41,024,778.64	-	-	41,024,778.64

Liabilities	Level 1	Level 2	Level 3	Total Balance
Financial				
Swap	-	(509,435.10)	-	(509,435.10)
Total financial Liabilities at fair value	-	(509,435.10)	-	(509,435.10)

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

As at February 28, 2014

Assets	Level 1	Level 2	Level 3	Total Balance
Financial assets held for trading:				
Equity securities				
Switzerland :				
Transportation Services	1,200,478.26	-	-	1,200,478.26
Denmark :				
Pharmaceuticals	718,755.64	-	-	718,755.64
Belgium :				
Brewers	80,561.93	-	-	80,561.93
Germany :				
Automobiles	1,829,579.63	-	-	1,829,579.63
Conventional Electricity	1,948,120.64	-	-	1,948,120.64
Full Line Insurance	1,937,346.70	-	-	1,937,346.70
Multiutilities	574,419.01	-	-	574,419.01
Pharmaceuticals	1,623,156.35	-	-	1,623,156.35
Reinsurance	610,247.66	-	-	610,247.66
Software	55,365.06	-	-	55,365.06
Specialty Chemicals	1,964,885.70	-	-	1,964,885.70
Specialty Finance	60,176.04	-	-	60,176.04
Transportation Services	1,644,698.89	-	-	1,644,698.89
Spain :				
Banks	800,256.17	-	-	800,256.17
Food Products	1,128,610.26	-	-	1,128,610.26
Heavy Construction	241,851.10	-	-	241,851.10
Transportation Services	91,489.92	-	-	91,489.92
Integrated Oil and Gas	197,052.25	-	-	197,052.25
Portugal :				
Alternative Electricity	269,758.94	-	-	269,758.94
Netherlands :				
Aerospace	1,582,009.35	-	-	1,582,009.35
Diversified Industrials	1,018,449.96	-	-	1,018,449.96
Food Products	462,928.49	-	-	462,928.49
Life Insurance	1,897,531.64	-	-	1,897,531.64
Semiconductors	1,990,334.94	-	-	1,990,334.94
Specialty Chemicals	96,144.06	-	-	96,144.06
France :				
Asset Managers	1,117,405.60	-	-	1,117,405.60
Japan :				
Banks	1,123,872.02	-	-	1,123,872.02
Clothing and Accessories	474,190.28	-	-	474,190.28
Consumer Electronics	119,755.08	-	-	119,755.08
Electronic Office Equipment	431,740.79	-	-	431,740.79

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

Fixed Line Telecommunications	2,020,645.77	-	-	2,020,645.77
Industrial Machinery	75,591.37	-	-	75,591.37
Life Insurance	659,668.52	-	-	659,668.52
Pharmaceuticals	471,731.57	-	-	471,731.57
Tobacco	518,785.54	-	-	518,785.54
Sweden :				
Telecommunications Equipment	331,640.29	-	-	331,640.29
Building Materials and Fixtures	69,167.25	-	-	69,167.25
Russia :				
Exploration and Production	1,332,844.80	-	-	1,332,844.80
Food Retailers and Wholesalers	300,888.00	-	-	300,888.00
Integrated Oil and Gas	1,501,366.60	-	-	1,501,366.60
Mobile Telecommunications	337,995.72	-	-	337,995.72
Luxembourg :				
Banks	1,297,760.94	-	-	1,297,760.94
Total financial assets at fair value	36,209,258.73			36,209,258.73

Liabilities	Level 1	Level 2	Level 3	Total Balance
Financial Liabilities				
Swap	-	339,476.63	-	339,476.63
Total financial Liabilities at fair value	-	339,476.63	-	339,476.63

The amendments to IFRS 7 require disclosure of transfer between levels.

There were no transfers between levels for the years ended February 27, 2015 and February 28, 2014.

During periods ended February 27, 2015 and February 28, 2014, the Fund did not invest in instruments classified under level 3; the analysis of movement in level 3 instruments is therefore not applicable.

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

Risks linked to the SGX-ST

Trading in Units on the SGX-ST may be suspended: Investors will not be able to purchase or sell Units on the SGX-ST during any period that the SGX-ST suspends trading in the Units. The SGX-ST may suspend the trading of Units whenever the SGX-ST determines that it is appropriate in the interests of a fair and orderly market to protect investors. The subscription and redemption of In-Kind Units may also be suspended in the event that the trading of Units on the SGX-ST is suspended.

Units may be delisted from the SGX-ST: The SGX-ST imposes certain requirements for the continued listing of securities, including the Units, on the SGX-ST. Investors cannot be assured that the Fund will continue to meet the requirements necessary to maintain the listing of Units on the SGX-ST or that the SGX-ST will not change the listing requirements. The Fund may be terminated if its Units are delisted from the SGX-ST.

Suspension of subscriptions and redemptions: Dealings of Units on the SGX-ST may not necessarily be suspended in the event that the issuance and redemption of Units is temporarily suspended by the Manager. If the issuance and redemption of Units is temporarily suspended, the trading price of the Units may be adversely affected and differ from the market value of the Fund's underlying assets.

Risks linked to the Index

The Fund is exposed to the fluctuation of performance of the Index Securities comprised within the Index through the Swaps. The Fund will not be able to fully track the performance of the Index due to circumstances such as temporary unavailability of certain Index Securities or occurrence of exceptional circumstances that result in distortions in the weighting of the Index. Any re-weighting of Index can also result in miscellaneous transaction or friction costs.

- Concentration of Index in certain issuers: The Index and the investments of the Fund may be concentrated in securities of a single or several issuers. Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular issuer, and changes in general economic or political conditions can affect the value of an issuer's securities. Such issuer specific changes may have an impact on the securities held by the Fund.
- Compilation of Index: The securities which comprise the Index are determined and composed by the Index Provider without regard to the performance of the Fund. The Fund is not sponsored, endorsed, sold or promoted by the index provider, Morgan Stanley Capital International Inc ("MSCI"). The Index Provider makes no representation or warranty, express or implied, to investors in the Fund or other persons regarding the advisability of investing in securities generally or in the Fund particularly. The Index Provider has no obligation to take the needs of the Manager or investors in the Fund into consideration in determining, composing or calculating the Index. There is no assurance that the Index Provider will compile the Index accurately, or that the Index will be determined, composed or calculated accurately, and consequently there can be no guarantees that its actions will not prejudice the interests of the Fund, the Manager or investors.
- Composition of the Index may change: The composition of the Index will change as Index Securities mature or are redeemed or as new securities are included in the Index. When this happens the weighting or composition of the securities owned by the Fund would be changed as considered appropriate by the Manager in order to achieve the investment objective. Thus, an investment

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

in Units will generally reflect the Index as its constituents change and not necessarily the way it is comprised at the time of an investment in Units.

- Licence to use the Index may be terminated: The Manager has been granted a licence by the Index Provider to use the Index in order to create the Fund based on the Index and to use certain trade marks and any copyright in the Index. The Fund may not be able to fulfill its objective and may be terminated if the licence agreement between the Manager and the Index Provider is terminated. The Fund may also be terminated if the Index ceases to be compiled or published and there is no replacement index using the same or substantially similar formula for the method of calculation as used in calculating the Index.

Lack of discretion of the Manager to adapt to market changes

Unlike many conventional funds, the Fund is not "actively managed". Therefore, the Fund will not adjust the composition of its portfolio except in order to seek to closely correspond to the duration and total return of the Index. The Fund does not try to "beat" the market it tracks and does not seek temporary defensive positions when markets decline or is judged to be overvalued. Accordingly, a fall in the Index may result in a corresponding fall in the NAV of the Fund.

Units may trade at prices other than NAV

The NAV of the Fund represents the fair price for buying or selling Units. As with any listed fund, the market price of Units may sometimes trade above or below this NAV. There is a risk, therefore, that Holders may not be able to buy or sell at a price close to this NAV. The deviation from NAV is dependent on a number of factors, but will be accentuated when there is a large imbalance between market supply and demand for Index Securities. The "bid/ask" spread (being the difference between the prices being bid by potential purchasers and the prices being asked by potential sellers) is another source of deviation from NAV. The bid/ask spread can widen during periods of market volatility or market uncertainty, thereby increasing the deviation from NAV.

Risk of swap agreements

The risk of loss with respect to swaps generally is limited to the net amount of payments that the Fund is contractually obligated to make. Swap agreements are also subject to the risk that the swap counterparty will default on its obligations. If such a default were to occur, the Fund will have contractual remedies pursuant to the agreements related to the transaction. However, such remedies may be subject to bankruptcy and insolvency laws which could affect the Fund's rights as a creditor. For example, the Fund may not receive the net amount of payments that it contractually is entitled to receive. Nevertheless this risk is limited as the Fund is subject to counterparty ratio of 10% on a single counterpart. Besides, SG has been selected as the only counterparty of the swap agreement.

Minimum subscription and redemption size

For subscriptions and redemptions in-kind, Units will only be issued or redeemed in In-Kind Unit aggregations (currently 100,000 Units, and multiples thereof). Investors who do not hold In-Kind Unit aggregations may only be able to realise the value of their Units by selling their Units on the SGX-ST at the prevailing trading price of the Units.

Reliance on Market Makers

There may or may not be Market Makers for the Fund. Investors should note that liquidity in the market for the Units may be adversely affected if there is no Market

LYXOR UCITS ETF MSCI TAIWAN

NOTES TO THE FINANCIAL STATEMENTS

Maker for the Fund. It is Manager's current intention that there will be at least one Market Maker in respect of the Units.

Reliance on Participating Dealers

The issuance and redemption of Units may only be affected through Participating Dealers. The number of Participating Dealers at any given time will be limited. Participating Dealers are under no obligation to accept instructions to apply for or redeem Units on behalf of investors, and may charge a fee for providing this service. Participating Dealers will not be able to issue or redeem Units during any period when, amongst other things, dealings on the SGX-ST are restricted or suspended, settlement or clearing of securities through the CDP is disrupted or the Index is not compiled or published. In addition, Participating Dealers will not be able to issue or redeem Units if some other event occurs which impedes the calculation of the NAV of the Fund or disposal of the Fund's portfolio securities cannot be effected.

Risks relating to the governing laws and regulations in respect of the Fund

The Fund is a collective investment scheme constituted as a *fonds commun de placement* in France and registered as an Undertaking for Collective Investment in Transferable Securities ("UCITS") Part III scheme. As such, the Fund is subject to the applicable laws and regulations in France and the relevant UCITS Directives, and a set of internal rules established by the Manager and approved by the AMF. Such laws, regulations and rules may differ from the corresponding laws and regulations in Singapore.

16 Approval of financial statements

The financial statements were approved by the Manager on June 4th, 2015.

LYXOR UCITS ETF MSCI TAIWAN

SCHEDULE OF INVESTMENTS AS AT FEBRUARY 27, 2015

	<u>Numbers of Securities</u>	<u>Market Value in USD</u>	<u>% of Net Assets</u>
Financial assets at fair value through profit or loss			
Listed / quoted financial assets			
Equities			
Belgium			
ANHEUSER-BUSH INBEV	22,855.00	2,914,734.83	7.20%
SOLVAY	1,809.00	269,459.81	0.67%
Denmark			
NOVO NORDISK	30,500.00	1,465,639.40	3.62%
Finland			
FORTUM OYJ	58,303.00	1,331,453.60	3.29%
SAMPO A	12,864.00	650,743.64	1.61%
Germany			
BASF SE	8,956.00	860,396.85	2.12%
BAYER AG	5,147.00	762,342.15	1.88%
BAYERISCHE MOTO WER	5,451.00	528,259.46	1.30%
BMW	8,346.00	1,057,825.87	2.61%
DAIMLER	10,262.00	995,762.31	2.46%
DEUTSCHE BANK AG-NOM	3,746.00	123,424.96	0.30%
DEUTSCHE POST AG-NOM	5695.00	194,380.66	0.48%
DEUTSCHE TEL AG-NOM	63,839.00	1,193,655.59	2.95%
FRESENIUS MED.CARE	1,826.00	149,861.88	0.37%
INFINEON TECHNO AG-N	121,955.00	1,415,101.10	3.49%
LEG IMMOBILIEN	7,697.00	634,464.16	1.57%
LINDE AG	2,611.00	532,424.60	1.31%
MERCK KGAA	8,574.00	886,689.90	2.19%
MUENCHENER RU AG-NOM	1,884.00	391,996.49	0.97%
RWE AG	43,083.00	1,207,376.32	2.98%
SAP	3,945.00	278,061.30	0.69%
VOLKSWAGEN AG-PFD	3,704.00	936,860.41	2.31%
Luxembourg			
ALTICE	27,008.00	2,699,152.92	6.67%
Netherlands			
AEGON NV	82,080.00	637,090.02	1.57%
ASML HOLDING N.V.	14,702.00	1,593,147.04	3.93%
CORIO	1,280.00	71,304.64	0.18%
DELTA LLOYD	53,658.00	976,208.74	2.41%
ING GROEP NV-CVA	195,990.00	2,935,858.81	7.25%
KONINKLIJKE KPN NV	25,824.00	88,402.68	0.22%
ROYAL PHILIPS NV	65,850.00	1,977,249.67	4.88%
WOLTERS KLUWER COMMO	8,010.00	260,413.31	0.64%
Norway			
ORKLA ASA	75,150.00	592,908.56	1.46%
Portugal			
BANCO COMERC.PORTU	5,580,543.00	520,783.42	1.29%
Russia			
MEGAFON OJSC	27,271.00	480,242.31	1.19%
MMC NORILSK ADR	157,421.00	2,846,171.68	7.03%

LYXOR UCITS ETF MSCI TAIWAN

NOVATEK GDR REG S	31,151.00	2,612,011.35	6.45%
Spain			
BANCO SANTANDER SA	73,064.00	535,393.95	1.32%
ENAGAS	17,996.00	553,478.55	1.37%
INDITEX	25,940.00	817,149.95	2.02%
MERLIN PROPERTIES	1,264.00	17,013.19	0.04%
REPSOL	9,943.00	192,660.58	0.48%
TELEFONICA SA	6,424.00	100,120.14	0.25%
Sweden			
TELIASONERA AB	67,255.00	426,958.38	1.05%
Switzerland			
ABB N STOCKHOLM	2,542.00	54,766.96	0.14%
ACTELION N	10,404.00	1,252,181.01	3.09%
DUFREY AG REG	22.00	3,195.49	0.01%
Total listed / quoted financial assets		41,024,778.64	101.31%
Unlisted / unquoted financial assets			
SWAP		(509,435.10)	(1.26%)
Total unlisted / unquoted financial assets		(509,435.10)	(1.26%)
Total Financial assets at fair value through profit or loss		40,515,343.54	100.05%
Total Financial assets at fair value through profit and loss at purchase date		38,999,080.83	

LYXOR UCITS ETF MSCI TAIWAN

SCHEDULE OF INVESTMENTS AS AT FEBRUARY 28, 2014

	<u>Numbers of Securities</u>	<u>Market Value in USD</u>	<u>% of Net Assets</u>
Financial assets at fair value through profit or loss			
Listed / quoted financial assets			
Equities			
Belgium			
ANHEUSER-BUSH INBEV	768.00	80,561.93	0.22%
France			
EUROP COVER EQTY HLD	800.00	1,117,405.6	3.12%
Germany			
ALLIANZ SE-NOM	10,815.00	1,937,346.70	5.40%
BASF SE	17,054.00	1,964,885.70	5.48%
BAYER AG	11,421.00	1,623,156.35	4.53%
BMW	1,417.00	164,786.94	0.46%
DAIMLER	17,852.00	1,664,792.69	4.64%
DEUTSCHE BOERSE AG	733.00	60,176.04	0.17%
DEUTSCHE POST AG-NOM	43,764.00	1,644,698.89	4.59%
E.ON SE	30,094.00	574,419.01	1.60%
MUENCHENER RU AG-NOM	2,785.00	610,247.66	1.70%
RWE AG	48,613.00	1,948,120.64	5.43%
SAP AG	685.00	55,365.060	0.15%
Denmark			
NOVO NORDISK	15,070.00	718,755.64	2.00%
Japan			
CANON INC	13,936.00	431,740.79	1.20%
DAI-ICHI MUTUAL LIFE	45,370.00	659,668.52	1.84%
FANUC LTD	437.00	75,591.37	0.21%
JAPAN TOBACCO	16,383.00	518,785.54	1.45%
MITSUBISHI UFJ FIN	195,414.00	1,123,872.02	3.13%
NIPPON TELEGRAPH TEL	29,164.00	1,629,000.48	4.54%
OTSUKA HOLDINGS CO	15,417.00	471,731.57	1.32%
PANASONIC CORP	9,579.00	119,755.08	0.33%
SOFTBANK CORP	5,213.00	391,645.29	1.09%
TOYOBO	274,990.00	474,190.28	1.32%
Netherland			
AIRBUS GROUP	21,454.00	1,582,009.35	4.41%
AKZO NOBEL NV-CVA	1,160.00	96,144.060	0.27%
ASML HOLDING N.V.	22,856.00	1,990,334.94	5.55%
CORBION	1,875.00	42,276.15	0.12%
ING GROEP NV-CVA	129,979.00	1,897,531.64	5.29%
ROYAL PHILIPS NV	29,077.00	1,018,449.96	2.84%
UNILEVER CVA	10,601.00	420,652.34	1.17%
Spain			
ABERTIS INFRAES A	3,892.00	91,489.92	0.26%
BCO BILBAO VIZCAYA	64,415.00	800,256.17	2.23%
EBRO FOODS SA	51,184.00	1,128,610.26	3.15%

LYXOR UCITS ETF MSCI TAIWAN

EDP RENOVAVEIS	41,725.00	269,758.94	0.75%
FERROVIAL	11,445.00	24,1851.10	0.67%
REPSOL	7,837.00	197,052.25	0.55%
Swiss			
FLUGHAFEN ZUERICH	1,895.00	1,200,478.26	3.35%
Sweden			
ASSA ABLOY B	1,357.00	69,167.25	0.19%
ERICSSON LM-B SHS	25,564.00	331,640.29	0.93%
United States of America			
GAZPROM OAO ADR	39,039.00	300,600.30	0.84%
LUKOIL SP ADR	5,252.00	288,860.00	0.81%
MAGNIT GDR	5,373.00	300,888.00	0.84%
MEGAFON OJSC	8,730.00	253,170.00	0.71%
MOBILE TELESYS.ADR	4,926.00	84,825.72	0.24%
NOVATEK GDR REG S	10,528.00	1,332,844.80	3.72%
SBERBANK RUS.ADR	125,874.00	1,297,760.94	3.62%
SURGUTNEFTEGAZ ADR	119,830.00	911,906.30	2.54%
Total listed / quoted financial assets		36,209,258.73	101.00 %
Unlisted / unquoted financial assets			
SWAP		(339,476.63)	(0.95%)
Total unlisted / unquoted financial assets		(339,476.63)	(0.95 %)
Total Financial assets at fair value through profit or loss		35,869,782.10	100.05 %
Total Financial assets at fair value through profit and loss at purchase date		34,166,993.22	