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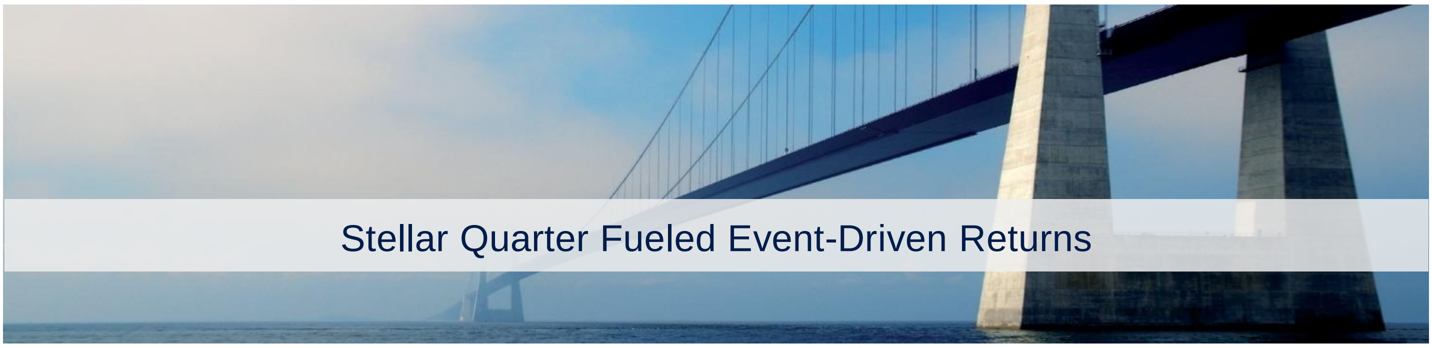

Stellar Quarter Fueled Event-Driven Returns

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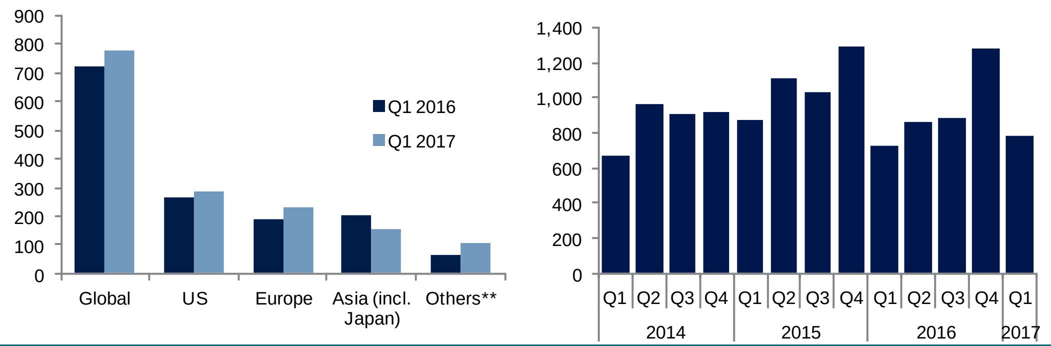
The reports of the "Trump trade" death have been greatly exaggerated. Since the failure of the U.S. administration to repeal the Affordable Care Act, risk assets rebounded healthily. The MSCI World is almost back to an all-time high and cyclical sector such as consumer discretionary, materials, industrials and financials outperformed last week in the U.S. and Europe. Similar encouraging signals were also apparent in rates and FX. The dollar index rebounded while the Treasury curve steepened. Overall, it can be inferred that market movements signal that the confidence in the economic momentum remains intact.

Hedge funds were also up during the period under review. The Lyxor Hedge Fund Index was up +0.2% last week, +0.5% in March and +1.1% in Q1. Most strategies were up in Q1, with Event-Driven outperforming and CTAs underperforming. Within Event-Driven, special situations funds are leading the pack. Activists have particularly thrived, with leading players in this space up in the range of +4-5% year to date. Meanwhile, market neutral L/S equity funds extended their recovery last week. The Lyxor L/S equity market neutral index is up +3.3% year to date after having delivered disappointing returns last year.

From our perspective, Event-Driven remains a highly attractive strategy going forward. Exposures are balanced between cyclical and defensive sectors (though there has been a tilt toward adding to cyclicals lately), thus preventing any major reversal in market optimism from causing losses on Event-Driven portfolios. CEO confidence is at a decade high which is likely to translate into stronger corporate activity (see page 2). Finally, several elements related to the new U.S. administration may also prove to be supportive. Fiscal reform, if implemented in the coming months, should be supportive for sectors such as telecommunications or consumer staples (they currently pay a higher effective tax rate than other sectors) that rank high in Event-Driven portfolios. Meanwhile, the newly appointed chairman of the Federal Communications Commission, Ajit Pai, has repeatedly called for a light-touch, free market approach to regulation. This is likely to make the environment for Event-Driven managers more predictable and less sensitive to deal breaks.

M&A activity was up 8% in Q1-17 vs. Q1-16

Global M&A volumes (USD billion)



*as of March 31st, 2017. **Includes Canada, Latam, MENA and Australasia. Excludes spin-offs. Source: Dealogic, Lyxor AM

THE WEEK IN 3 CHARTS

Hedge Fund Snapshot: Event-Driven Extends Gains

	WTD*	MTD	YTD
Lyxor Hedge Fund Index	**0.2%**	**0.5%**	**1.1%**
CTA Broad Index	-0.1%	**-1.0%**	**-0.7%**
Event Driven Broad Index	**0.4%**	0.0%	**2.1%**
Fixed Income Broad Index	**-0.1%**	**1.4%**	1.7%
L/S Equity Broad Index	0.2%	0.6%	1.4%
Global Macro Index	0.3%	0.6%	0.6%
MSCI World Index	*0.5%*	*0.8%*	*4.5%*
Barclays Global Agg Bond Index	*0.3%*	*-0.2%*	*0.8%*

*From 21 March to 28 March 2017

During a week in which both equities and bonds were up, hedge funds returned +0.2%. CTAs underperformed and Event-Driven outperformed, supported by merger arbitrage and special situations.

In parallel, L/S Equity continued to move higher, led by market neutral and variable biased managers. Both U.S. and European managers benefitted from positions on consumer sectors.

Finally, exposure to Japan hurt both CTA and Macro managers. Short exposure to the JPY vs. USD proved harmful for the former as JPY moved up. Macro suffered losses on Japanese equities, however, they were offset by long positions on energy prices.

CEO Surveys Point to Sustained Confidence About Future Business Conditions

Global M&A activity per sector
(USD billion)

The CEO confidence index measures CEO confidence in the economy one year from now. Source: Chief Executive Magazine, Bloomberg, Lyxor AM

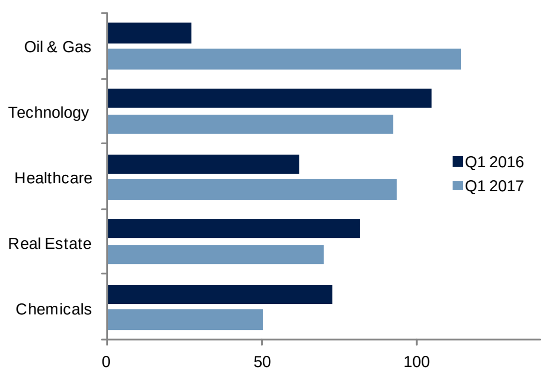
Surveys of CEO confidence point to a positive assessment of future business conditions. Confidence appears to be particularly elevated in three sectors: pharmaceuticals, consumer goods and real estate.

Meanwhile, academic research has explored the extent to which manager optimism influences corporate decision making. In particular, a recent paper* reports that capital expenditure, merger activity, and financing activity all increase with CEO confidence. In our view, these factors are supportive for Event-Driven..

*Green, Hwang and Wang (2015), CEO vs. consumer confidence: investment, financing and firm performance, Cornell University

M&A Activity in Q1 was Particularly Buoyant in the Energy, Technology and Health Care Sectors

Global M&A activity per sector
(USD billion)



As of March 31st, 2017. Excludes spin-offs. Source: Dealogic, Lyxor AM

Three sectors represented 40% of M&A activity in Q1-17 according to Dealogic: oil & gas (USD 114 billion), healthcare (USD 94 billion) and technology (USD 93 billion).

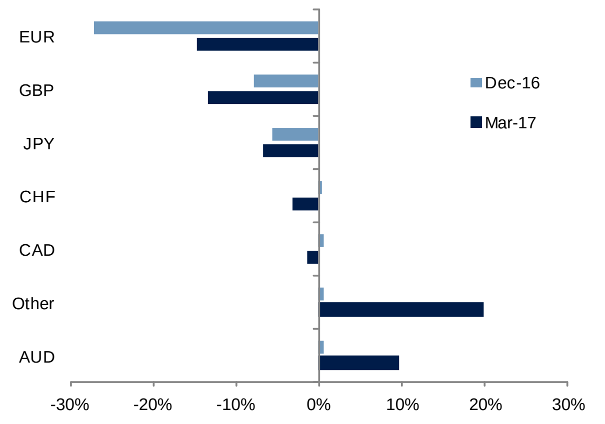
While Event-Driven managers remain somewhat cautious on the energy sector, their exposures to health care and technology are very significant. As of the end of February, their cumulated net exposure to both sectors represents 20% of their net assets. Actelion, a Swiss biopharmaceutical company which is being acquired by Johnson & Johnson, is the most significant exposure in merger arbitrage portfolios at present.

CTAs

	WTD*	MTD	YTD
CTA Broad Index	**-0.1%**	**-1.0%**	**-0.7%**
CTA Long Term	-0.1%	-1.1%	-1.0%
CTA Short Term	0.3%	0.6%	2.1%

*From 21 March to 28 March 2017

CTAs reduced EURUSD shorts over the course of Q1
Net Exposure to FX vs. USD, % NAV



As of March 21st, 2017. Equally weighted. Source: Lyxor AM

Back to Equities

Despite recent uncertainties from the Health Care Bill in the U.S. to Brexit investors favored equities over bonds last week which was helpful for CTAs.

In the equity space, U.S. and European markets were up, adding to funds' profits. However, exposure to Japanese indices unwound some of the gains.

Commodities also led to profits. After a challenging week for agriculturals, systems benefitted from their net short exposure to the sub-bucket. Coffee was a notable mover, as larger crops in Colombia and Brazil put pressure on prices.

On the negative side, short positions on U.S. duration led the way in terms of losses. The bull flattening of the Australian curve also inflicted some damage. The fall in European bond yields helped offset some of the losses in fixed income, due to long positions on European bonds.

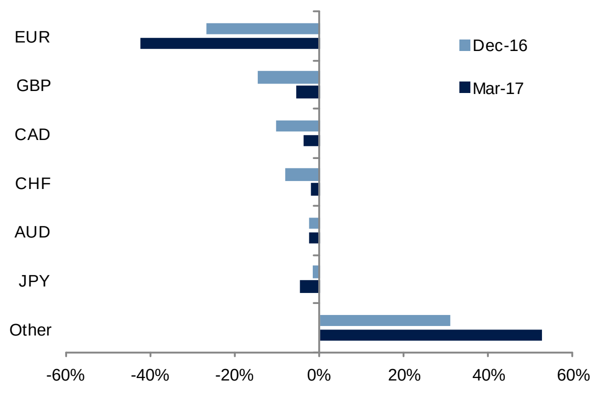
FX also contributed negatively. Short exposure to the JPY vs. USD proved to be harmful. Long allocations to the AUD and BRL vs. USD also caused losses.

GLOBAL MACRO

	WTD*	MTD	YTD
Global Macro Index	**0.3%**	**0.6%**	**0.6%**

*From 21 March to 28 March 2017

GMs increased EURUSD shorts over the course of Q1
Net Exposure to FX vs USD, % NAV



As of March 21st, 2017. Equally weighted. Source: Lyxor AM

European Duration Supports

Global Macro delivered positive returns last week, supported by the fixed income and commodities buckets.

Nonetheless, Fixed income caused some dispersion across funds. Funds that were short European duration struggled, but some managers on the other side of the trade made gains. Relative value trades, often favored by managers these days, allowed some managers to outperform, notably due to exposures to EUR and SEK rates.

Funds were also supported by commodities. The rebound in energy prices, combined with a decline in the price of various agricultural products, proved supportive.

To a lesser extent, equities also helped. In particular, long exposure to Europe contributed to returns.

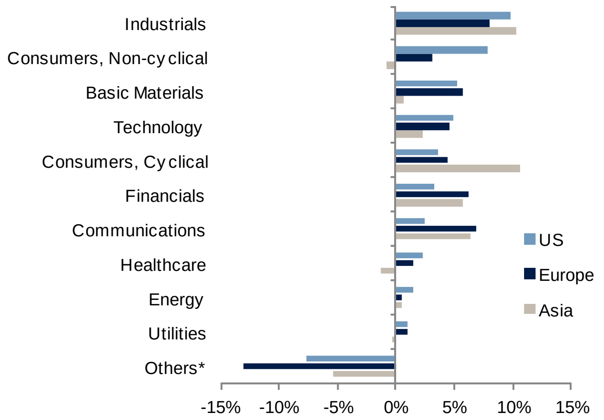
The currency bucket propelled the return of some funds but penalized others, depending on their appetite to EM FX. The rebound of the EUR and the JPY vs. USD detracted overall, but some funds managed to generate larger gains due to the MXN and the RUB.

L/S EQUITY

	WTD*	MTD	YTD
L/S Equity Broad Index	**0.2%**	**0.6%**	**1.4%**
Long Bias	0.3%	1.5%	1.0%
Market Neutral	0.5%	1.1%	3.1%
Variable Bias	0.0%	0.1%	2.3%

*From 21 March to 28 March 2017

Managers maintain long positions on industrials and materials
Net exposure to sectors, % NAV



U.S., Europe and Asia refer to the regional focus of L/S Equity managers in our sample. *Others include indices, funds, diversified. As of March 21st, 2017. Equally weighted. Source: Lyxor AM

Lacking Catalysts

Global equity markets moved higher last week, which proved supportive for L/S Equity managers overall. The current environment remains favorable to stock pickers on the back of low correlation across sector returns.

U.S.-centric funds displayed decent returns last week as managers continue to be positioned towards a pro-growth environment. The best performer made the most of its long positions in consumer non-cyclicals.

European-focused managers continued to benefit from the positive momentum and were able to extract alpha due to their long books. One quantitative manager outperformed due to profitable long holdings in the consumer sectors.

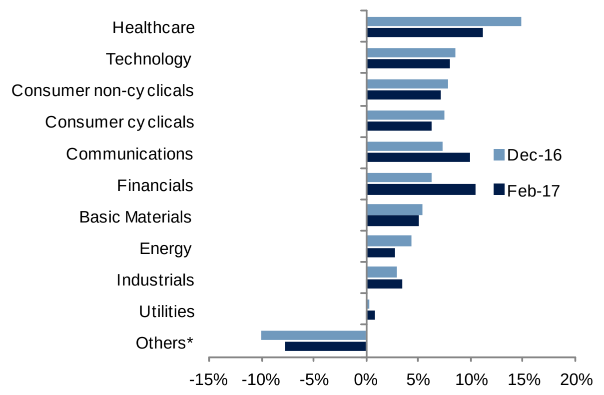
Finally, Japanese L/S funds suffered from long positions on financials and cyclical stocks. Pan-Asian funds suffered from long exposures to industrials. Quantitative managers ended the week flat, with positive performance from momentum offset by negative returns from value and growth.

EVENT DRIVEN

	WTD*	MTD	YTD
Event Driven Broad Index	**0.4%**	**0.0%**	**2.1%**
Merger Arbitrage	0.5%	-0.5%	0.1%
Special Situations	0.3%	0.3%	3.7%

*From 21 March to 28 March 2017

Event Driven funds maintain high exposure to long cyclical sectors
Net exposure to sectors, % NAV



As of February 28th, 2017. Equally weighted. Source: Lyxor AM

Leading the Pack in Q1

Event Driven funds were up last week. Merger Arbitrage ended the month slightly down while Special Situations edged higher in March.

Special Situations' players benefitted from their core investments in the basic materials, energy and technology sectors. Dow Chemical was among the prominent winners as its merger with DuPont moves ahead. Over the week, it got a conditional approval from the European Commission. Coca-Cola European Partners shares also traded up as the company announced fourth-quarter and full-year results above the previous year's. MGM Resorts International also added to the gains on the back of speculation that the company could make a USD 1.3 billion bid for Sands Casino Resort Bethlehem. Other positive performers included Universal Health Services and Computer Sciences.

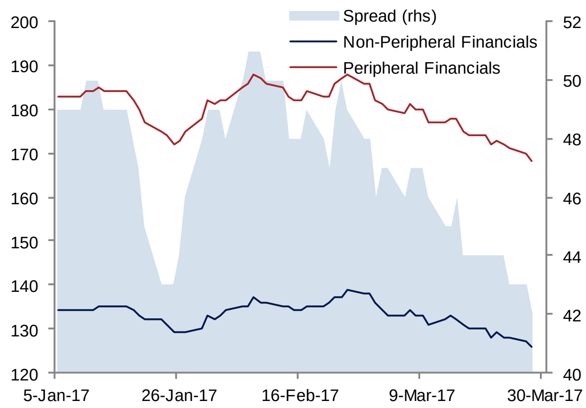
In the Merger Arbitrage space, managers crystallized their gains on the BCE Inc./Manitoba Telecom Services transaction after it successfully closed. Alere shares rallied as investors' optimism improved for a favorable outcome with Abbott Laboratories.

L/S CREDIT ARBITRAGE

	WTD*	MTD	YTD
Fixed Income Broad Index	**-0.1%**	**1.4%**	**1.7%**
L/S Credit Arbitrage	-0.3%	-0.6%	1.2%

*From 21 March to 28 March 2017

Euro Area financials: peripheral issuers have outperformed since February
Spreads in bps



As of March 28th, 2017. BofA ML indices. Source: Bloomberg, Lyxor AM

Last Opportunity with TLTRO

With the ECB expected to scale back its accommodative policies in a near future, European banks were on the prowl for the final TLTRO and borrowed over EUR 233 billion (vs. EUR 110 billion expected). This particularly benefitted peripheral banks that secured cheap financing for the next couple of years. Financials aside, it has been an overall muted week for European credit, with no significant moves. In the U.S., credit markets remained on hold as Trump failed to pass the bill on U.S. Healthcare reform.

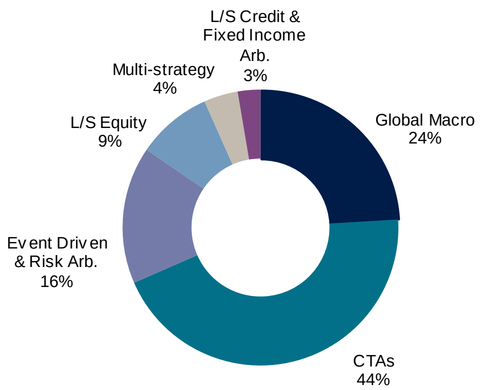
On the Lyxor platform, the lack of action in credit markets translated into flat results for European managers. The best performer managed to record small gains on its convexity strategy.

Meanwhile, it was a positive week for Asian credit. Our Asian credit funds rebounded last week, driven by positive developments on a Chinese property issuer. The company's stock price leapt 87% after a two-year suspension.

METHODOLOGICAL APPENDIX

The information contained in this report on the performance and positioning of hedge funds is based on proprietary data from our Managed Account Platform. The universe of underlying funds is relatively stable, though it evolves according to fund openings and fund closures.

Lyxor Managed Account Platform: breakdown of assets under management by strategy as of February 28th, 2017



- **USD 9.6 billion** of assets under management
- Replicating approximately **USD 220 billion** of AUM

Lyxor Hedge Fund Indices

Based on the complete range of funds available on the Lyxor Managed Account Platform, a universe of funds eligible for inclusion in the indices is defined on a monthly basis taking into account the following elements:

- Investability threshold: to be included in any index, the managed account must have at least $3 million of AuM.
- Capacity constraints: all index components must possess adequate capacity to allow for smooth index replication in the context of a regular increase in investments.
- Index construction: for each index, the relative weightings of the component funds are computed on an asset-weighted basis as adjusted by the relevant capacity factors.
- Each Lyxor Hedge Fund Index is reviewed and rebalanced on a monthly basis.
- The Index construction methodology has been designed to mitigate well-known measurement biases. Inclusions and exclusions of new Hedge Funds do not impact the historical index track record.

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