

## ETFX FTSE 100 Super Short Strategy (2x) Fund

### Investment Objective

The ETFX FTSE 100 Super Short Strategy (2x) Fund is designed to track the performance of the FTSE 100® Super Short Strategy Index. The ETFX FTSE 100 Super Short Strategy (2x) Fund seeks to deliver **twice the inverse of the daily percentage change** in the level of the FTSE 100® Index.

### About Exchange Traded Funds (ETFs)

ETFs combine the advantages of stocks (tradability and liquidity) and index funds into one product. With ETFs it is possible to achieve exposure to an Index in one simple transaction in the same way as trading any security listed on the stock exchange. ETFs can be created or redeemed on demand (through market-makers).

### About the Index

The FTSE 100® Super Short Strategy Index is a leveraged index with a short exposure which aims to provide **twice the inverse of the daily percentage change** in the level of the FTSE 100® Index.

The FTSE 100® is a market-capitalisation weighted index representing the performance of the 100 largest UK-domiciled blue chip companies, which pass screening for size and liquidity. The index represents approximately 88% of the UK's market capitalisation.

### Benefits of ETFs tracking 2x short indices

- Provides double short exposure with reduced capital outlay
- Multiple market makers provide liquidity and continuous pricing
- Tracks a double short index that increases in value by twice the daily % decrease and decreases in value by twice the daily % increase in the unleveraged reference index, excluding fees and other costs
- No margin account or loan approvals required
- Cost efficient way of obtaining leveraged short (inverse) exposure
- Maximum loss is limited to investor's initial investment

### Risks of ETFs tracking 2x short indices

- **Due to the compounding of daily returns, returns measured over periods longer than one day may differ from minus two times the FTSE 100® Index return over that longer period**
- Twice the daily inverse % movements of the FTSE 100® Index and therefore any changes in the Index are magnified
- Equity ETFs can be volatile and volatility is doubled for ETFs tracking 2x short indices
- If the Index rises by 50% or more in one day, the Index is rebalanced intraday
- ETFs tracking double short indices are only suitable for sophisticated investors who understand leverage, compounded daily returns and are willing to magnify potential losses
- **Please see the Prospectus for a more detailed explanation and a more complete list of risks, available at [www.etfsecurities.com](http://www.etfsecurities.com)**

### Fund Facts

Trading	Normal Exchange hours	
Base currency	GBP	
Trading currency	GBP	
Minimum investment	1 unit	
Security codes		
Listing	London Stock Exchange	
Currency	GBP	
Exchange Code	SUK2	
ISIN	IE00B4QNK008	
SEDOL	B4QNK00	
Launch date	22/06/2009	
LSE Listings	Reuters	Bloomberg
	SUK2.L	SUK2 LN
	LSE	

### Security Features

Investment Manager	ETFX Investment Management LLP	
Manager	ETFX Management Company Ltd	
Issuer	ETFX Fund Company Plc	
Registrar	Computershare Investor Services (Ireland) Ltd	
TER	0.60%	
Entry/Exit fees	None when traded on exchange	
Legal Form	Public Limited Company	
Dividends	Dividends are reinvested (if any)	
UCITS	Yes	
ISA/SIPP/CTF (UK)	Yes	
UK Reporting Fund Status	Yes, with effect from 01/07/2010	
Domicile	Ireland	
Registration	Ireland, UK, The Netherlands, Germany, Italy, Norway and France.	

### Index Information

Index	FTSE 100® Super Short Strategy Index		
Exposure	UK Equities		
Number of components	102		
Currency	GBP		
Bloomberg	N/A		
Reuters	N/A		
Index provider	FTSE International Limited		
Website	<a href="http://www.ftse.com">www.ftse.com</a>		

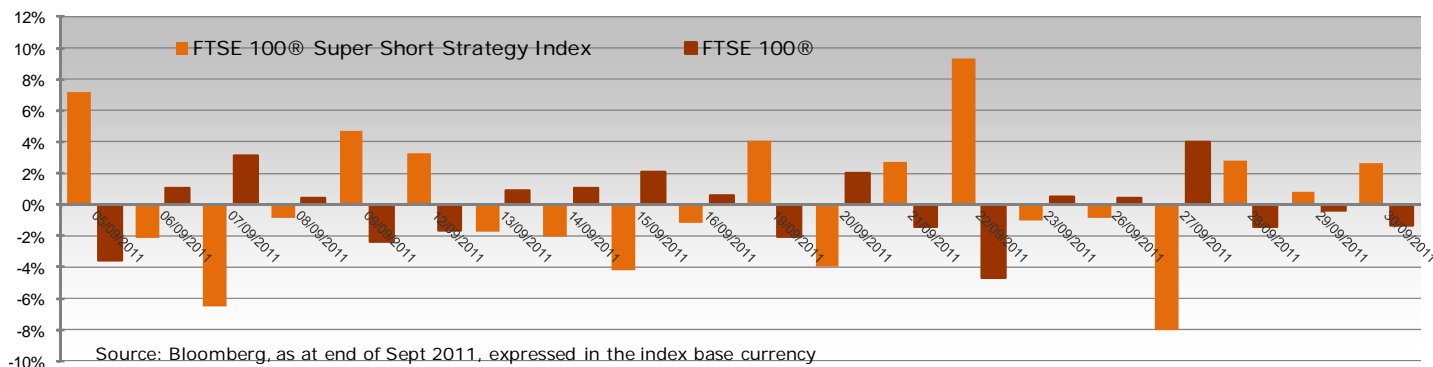
### Index Historical Performance

Base currency (GBP)	2011	2010	2009	2008
<b>FTSE 100® Super Short Strategy Index</b>	13.3%	-28.4%	-48.0%	32.2%
FTSE 100®	-13.10%	12.6%	22.1%	-31.3%

Source: Bloomberg, as at end of Sept 2011, expressed in the index base

The table and the graph below show the performance of the underlying index and not the fund. The ETFX fund tracks the performance of the above index subject to management fees and other costs. Past Performance is not a reliable indicator of future results.

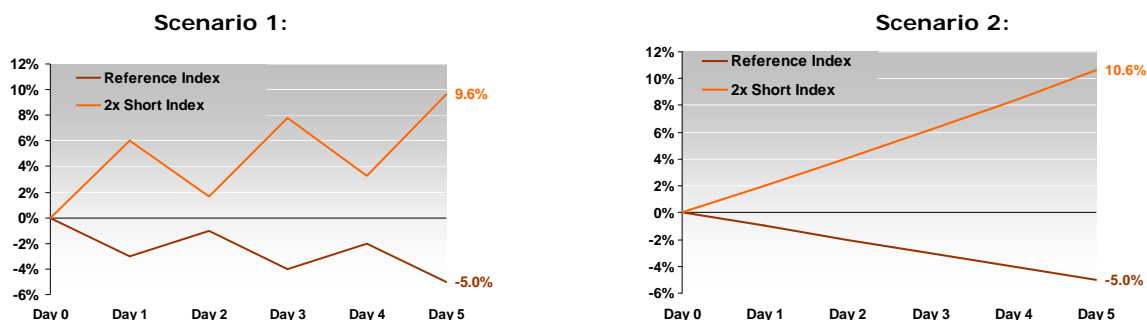
## How can daily rebalancing and volatility affect the performance of 2x short equity indices?



## How can daily rebalancing and volatility affect the performance of 2x short equity indices?

2x short equity indices are designed to provide twice the inverse of the daily percentage change in the level of their reference index (i.e. the 1x index) and due to the compounding of daily returns, returns measured over periods longer than one day may differ from twice the inverse of the reference index return over that longer period.

To demonstrate this we take the example of a reference index falling 5% over a 5-day period. In Scenario 1 the index achieves the -5% return through various down and up days. In Scenario 2 the index is down 5% over the period following 5 consecutive down days. (For simplification purposes, these 2 scenarios exclude fees and other financing adjustments).



- **In Scenario 1**, despite the 2x short index delivering minus 2x the reference index return each day, the overall compound return at the end of the 5-day period is not equal to twice the inverse of the reference index return (9.6% vs. 10%).
- **In Scenario 2**, the volatility is lower and the reference index is trending downwards, the overall compound return at the end of the 5-day period has exceeded 2x the inverse of the reference index return (10.6% vs. 10%).

This shows that the daily rebalancing of the 2x short index leads to performance differences over periods longer than one day and also that volatility in the reference index tend to magnify gains and losses in the 2x short index.

For more information about long term performance of ETF Securities ETFs tracking 2x short indices please see the description of risks in the prospectus available at [www.etfsecurities.com](http://www.etfsecurities.com)

### About ETF Exchange (ETFX)

ETF Exchange is a UCITS platform developed by exchange-traded commodity pioneers ETF Securities, in order to provide investors with access to a range of thematic investment solutions that may be used to diversify portfolio composition or adjust risk/return profiles.

First introduced in September 2008, all ETFs on the ETF Exchange platform are collateralised in excess of UCITS requirements and employ total return swaps to replicate index performance.

Enhanced by a consortium of leading investment banks, the platform is designed to help mitigate credit risk, disperse counterparty exposure and improve tracking error and liquidity – enabling investors to concentrate on making the most appropriate investment decisions. Participant banks on ETF Exchange act as authorised participants and swap providers, and comprise Bank of America Merrill Lynch, Barclays Capital, Citi and Rabobank International.

#### Important Information

This communication is made by ETF Securities (UK) Limited ("ETF UK") which is authorised and regulated by the United Kingdom Financial Services Authority. ETF Fund Company public limited company (the "Company") is an open-ended investment company with variable capital having segregated liability between its sub-funds and is organised under the laws of Ireland as a public limited company. The Company has been authorised by the Central Bank of Ireland (the "Financial Regulator") as a UCITS pursuant to the European Communities (Undertaking for Collective Investment in Transferable Securities) Regulations, 2003 and shall issue a separate class of shares (the "Shares") representing each sub-fund. The Shares discussed in this document are issued by the ETFX FTSE® 100 Super Short Strategy (2x) Fund (the "Fund").

When being made within Italy, this communication is for the exclusive use of the "qualified investors" and its circulation among the public is prohibited.

This document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of the Shares in the United States or any province or territory thereof, where none of the Company or the Shares are authorised or registered for distribution and where no prospectus for any of the Issuers or the Company has been filed with any securities commission or regulatory authority. Neither this document nor any copy hereof should be taken, transmitted or distributed (directly or indirectly) into the United States. Neither the Company, the nor any of the Shares have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by ETFS UK based on publicly available information. ETFS UK does not warrant or guarantee the accuracy or correctness of any information contained herein and any opinions related to product or market activity may change. Any third party data providers used to source the information in this communication make no warranties or representation of any kind relating to such data.

Any historical performance included in this document may be based on back testing. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance.

Historical performance is not an indication of or a guide to future performance.

The information contained in this communication is neither an offer for sale nor a solicitation of an offer to buy securities. This communication should not be used as the basis for any investment decision.

ETF UK is required by the United Kingdom Financial Services Authority ("FSA") to clarify that it is not acting for you in any way in relation to the investment or investment activity to which this communication relates. In particular, ETF UK will not provide any investment services to you and or advise you on the merits of, or make any recommendation to you in relation to, the terms of any transaction. No representative of ETF UK is authorised to behave in any way which would lead you to believe otherwise. ETF UK is not, therefore, responsible for providing you with the protections afforded to its clients and you should seek your own independent legal, investment and tax or other advice as you see fit.

**Risk Warnings:** The Shares are aimed at sophisticated, professional and institutional investors. Any decision to invest should be based on the information contained in the prospectus of the Company (any any supplements or addenda thereto) which includes, inter alia, information on certain risks associated with an investment. The price of the Shares may go up or down and an investor may not get back the amount invested. Shares may be priced in US Dollars, Euros, or Sterling, and the value of the investment in other currencies will be affected by exchange rate movements. Investments in Shares which provide a short and/or leveraged exposure are only suitable for sophisticated, professional and institutional investors who understand leveraged and compounded daily returns and are willing to magnify potential losses by comparison to investments which do not incorporate these strategies. Over periods of greater than one day, investments with a short and/or leveraged exposure do not necessarily provide investors with a return equivalent to a return from the unleveraged long or unleveraged short investments multiplied by the relevant leverage factor. The prospectus of the Company may be obtained from [www.etfsecurities.com](http://www.etfsecurities.com). Please contact ETF UK at +44 20 7448 4330 or [info@etfsecurities.com](mailto:info@etfsecurities.com) for more information.

**Restricted Investors:** The information in this document is designed solely for use in France, Germany, the Netherlands, Italy, the Republic of Ireland, Norway and the United Kingdom and complies with the regulatory requirements of these jurisdictions only, and is not intended for residents of any other countries. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law.

*For Dutch investors:* The Fund has been registered with the Netherlands Authority for the Financial Markets following the UCITS passport-procedure pursuant to section 2:72 of the Dutch Financial Supervision Act.

*For French investors:* The Company is a UCITS governed by Irish legislation and approved by the Financial Regulator as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Authority Financial Markets (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the prospectus, the simplified prospectus, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge, at the French Centralizing Agent, Société Générale, Securities Services, at 29 Boulevard Haussmann – 75009 Paris – France.

*For German investors:* The offering of the Shares of the Fund has been notified to the German Financial Services Supervisory Authority in accordance with section 132 of the German Investment Act. The prospectus, the simplified prospectuses, any supplements or addenda thereto, copies of the Memorandum and Articles of Association of the Company and the annual and semi-annual report can be obtained free of charge upon request at the Paying and Information Agent in Germany, HSBC Trinkaus & Burkhardt AG, Königsallee 21-23, 40212 Düsseldorf. The current offering and redemption prices as well as the net asset value and possible notifications of the investors can also be requested free of charge at the same address. In Germany the Shares will be settled as co-owner shares in a Global Bearer certificate issued by Clearstream Banking AG. This type of settlement only occurs in Germany because there is no direct link between the English and German clearing and settlement systems Crest and Clearstream. For this reason the ISIN used for trading of the shares in Germany differs from the ISIN used in other countries. For French Investors: Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus, the simplified prospectus and any supplements or addenda thereto.

*For Norwegian Investors:* The Company and the Fund have been registered with the Financial Supervisory Authority of Norway (Finanstilsynet), and may be marketed and sold to professional investors in Norway.

*For United Kingdom investors:* The Fund is a recognised scheme under section 264 of the Financial Services and Markets Act 2000 and so the Prospectus may be distributed to investors in the United Kingdom. Copies of all documents (i.e. the Prospectus, the simplified prospectus, the latest previous annual reports and the memorandum of incorporation and the articles of association) are available in the United Kingdom, by contacting the UK Facilities Agent, ETFS UK, on +44 207 448 4330.

**Index Disclaimer:** The ETFX FTSE® 100 Super Short Strategy (2x) Fund is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ("FTSE") or by the London Stock Exchange Plc (the "Exchange") or by The Financial Times Limited ("FT") (together the "Licensor Parties") and none of the Licensor Parties make any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE 100® Super Short Strategy Index (the "Index") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. None of the Licensor Parties shall be liable (whether in negligence or otherwise) to any person for any error in the Index and none of the Licensor Parties shall be under any obligation to advise any person of any error therein. FTSE®, "FT-SE®", "Footsie®", "FTSE4Good®" and "techMARK®" are trade marks of the Exchange and the FT and are used by FTSE under licence. "All-World®", "All-Share®" and "All-Small®" are trade marks of FTSE.

None of, BofA Merrill Lynch, Barclays Capital, Citi, or Rabobank International accept any responsibility or liability for the content of this communication.