

## ETFX CAC 40 2x Short Fund

### Investment Objective

The ETFX CAC 40 2x Short Fund is designed to track the performance of the CAC 40® Xbear Index. The ETFX CAC 40 2x Short Fund seeks to deliver **the inverse of twice the daily percentage change** in the level of the CAC 40® 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 CAC 40® Xbear Index is a leveraged index with a short exposure which aims to provide the **inverse of twice the daily percentage change** in the level of the CAC 40® Index.

The CAC 40® is a market-capitalisation weighted index and is the main benchmark for Euronext Paris. The index contains 40 stocks selected among the top 100 market capitalisation and the most active stocks listed on Euronext Paris.

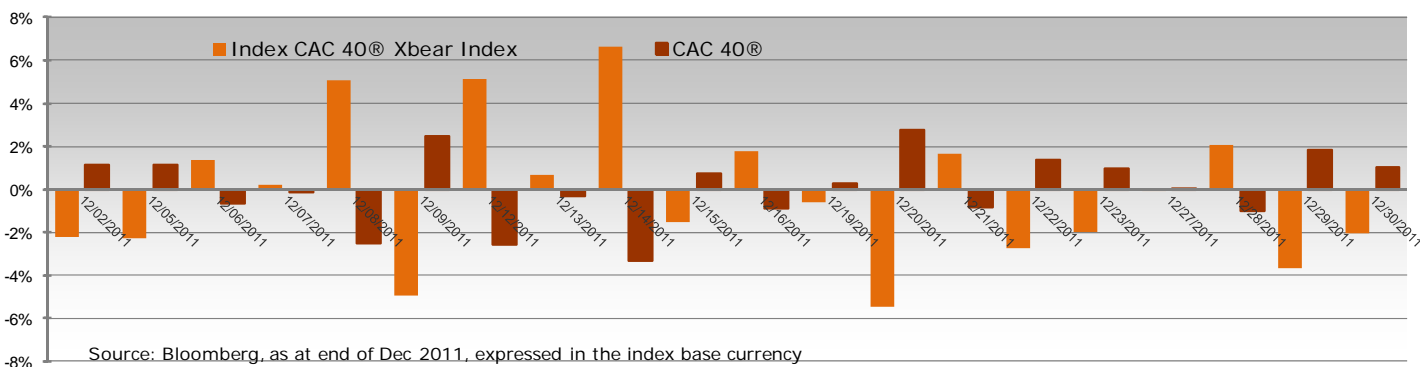
### Benefits of ETFs tracking 2x short indices

- Provides double short exposure with a 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 CAC 40® Index return over that longer period**
- Twice the daily inverse % movements of the CAC 40® Index and therefore any rises 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 leverage factor will be adjusted 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)**

### Index Daily Returns – last 20 trading days



### Fund Facts

<b>Trading</b>	Normal Exchange hours	
<b>Base currency</b>	EUR	
<b>Trading currency</b>	EUR	
<b>Minimum investment</b>	1 unit	
<b>Security codes</b>		
<b>Listing</b>	NYSE Euronext	
<b>Currency</b>	EUR	
<b>Exchange Code</b>	FRS2	
<b>ISIN</b>	IE00B4QNH45	
<b>SEDOL</b>	B59M1R5	
<b>Commencement date</b>	29/06/2009	
<b>Reuters</b>	<b>Bloomberg</b>	
<b>iNav</b>	.INFRS2	.INFRS2
<b>NYSE Euronext</b>	FRS2.AS	FRS2 NA

### Security Features

<b>Investment Manager</b>	ETFX Investment Management LLP
<b>Manager</b>	ETFX Management Company Ltd
<b>Issuer</b>	ETFX Fund Company Plc
<b>TER</b>	0.60%
<b>Entry/Exit fees</b>	None when traded on exchange
<b>Legal Form</b>	Public Limited Company
<b>Dividends</b>	Dividends are reinvested (if any)
<b>UCITS</b>	Yes
<b>ISA/SIPP/CTF (UK)</b>	Yes
<b>Domicile</b>	Ireland
<b>Registration</b>	Ireland, UK, Netherlands, France, Italy Norway, Germany

### Index Information

<b>Index</b>	CAC 40® Xbear Index
<b>Exposure</b>	France Equities
<b>Number of components</b>	40
<b>Currency</b>	EUR
<b>Bloomberg</b>	CACXB
<b>Reuters</b>	.CACXB
<b>Index provider</b>	Euronext
<b>Website</b>	<a href="http://www.euronext.com">www.euronext.com</a>

### Index Historical Performance

Base currency (EUR)	2011	2010	2009	2008
<b>Index CAC 40® Xbear Index</b>	5.3%	-16.1%	-49.8%	91.2%
CAC 40®	-14.28%	-3.3%	22.3%	-42.8%

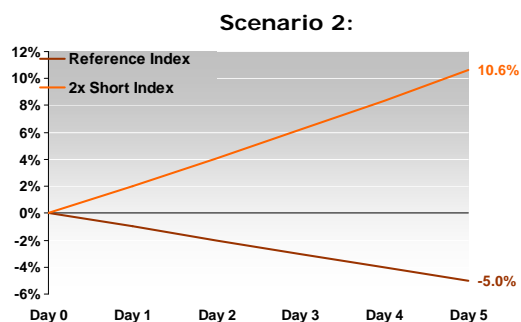
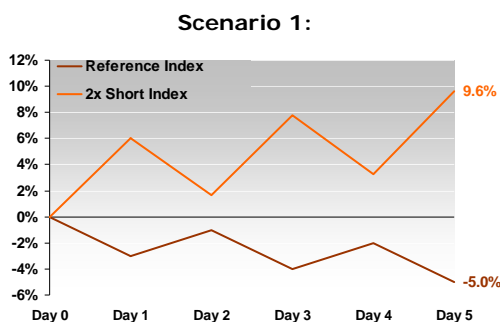
Source: Bloomberg, as at end of Dec 2011, expressed in the index base

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?

2x short equity indices are designed to provide the inverse of 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.

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