MUTUAL FUNDS AT A GLANCE

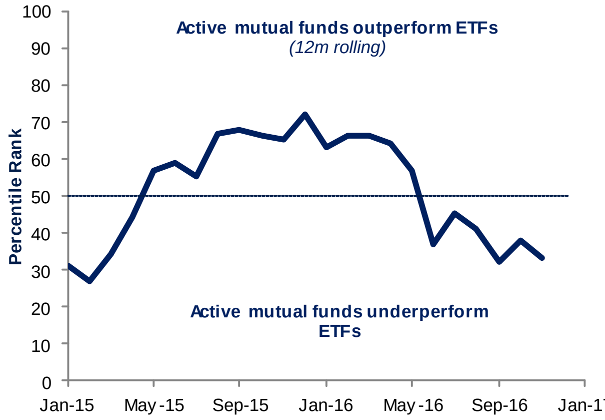
2016: A tough year for active investing *(data up to November 2016)*

Active investing in 2016 was rewarding in some asset classes such as Japanese equities. But this was rather an exception.

Peer Group	Number of Funds in the Peer group	ETF	Percentage of active mutual funds beating the ETF (%)		
			2014	2015	2016 (as of Nov.)
Japan Large-Cap Equity	285	Lyxor Japan (TOPIX)	34	26	57
Asia-Pacific ex-Japan Equity	219	Lyxor MSCI Asia-Pacific Ex Japan	52	66	57
USD Diversified Bond	172	iShares US Aggregate Bond	31	28	52
Global Emerging Markets Bond	229	iShares JP Morgan $ EM Bond	5	14	46
EUR High Yield Bond	127	iShares € High Yield Corp Bond	51	82	44
Europe ex-UK Large-Cap Equity	150	iShares MSCI Europe ex-UK	46	79	40
UK Large-Cap Blend Equity	220	SPDR® FTSE UK All Share	43	63	40
Global Emerging Markets Equity	627	Lyxor MSCI Emerging Markets	56	60	40
Global Emerging Markets Bond - Local Currency	138	iShares EM Local Govt Bond USD	20	36	35
Global Emerging Markets Corporate Bond	78	iShares $ EM Corp Bond	50	31	33
Eurozone Large-Cap Equity	452	Lyxor MSCI EMU	26	58	29
EUR Diversified Bond	658	iShares € Aggregate Bond	26	26	26
USD High Yield Bond	94	iShares $ High Yield Corp	27	64	24
US Large-Cap Blend Equity	538	Lyxor S&P 500	22	15	23
Europe Large-Cap Blend Equity	687	Lyxor MSCI Europe	27	72	22
Global Large-Cap Blend Equity	1825	Lyxor MSCI World	21	33	22

Data for 2016 as of November (11 months). Source: Morningstar, Lyxor AM

Most pan-European equity mutual funds underperformed the MSCI Europe in 2016
% of active funds outperforming their benchmark on average (12m rolling performance)



There are 687 active mutual funds in this peer group. Data as of November 2016.
Source: Morningstar, Lyxor AM

Most active managers struggled to deliver alpha last year. Looking at 16 asset classes, there are only 3 of them where active investing outperformed passive investing in 2016. The last year has been especially complicated for European Equity managers and U.S. High Yield Credit funds. In both cases, active investors proved unable to repeat the good alpha generation they achieved in 2015.

Most pan-European equity managers had trouble navigating the strong and frequent style rotations. They particularly suffered when value stocks rebounded. This market movement gained pace when economic data bottomed out in August 2016 and accelerated after the election of Donald Trump to the U.S. presidency. In 2016, only 22% of Europe Large-Cap Equity managers delivered returns above the benchmark, compared to 72% in 2015.

In the U.S. High Yield credit space, performance was strongly driven by volatile energy prices. The energy sector was strongly hurt in H2-15 and the beginning of 2016 on oil price concerns. At that time, most active managers benefitted from their defensive positioning through their low energy exposure. Yet, the bottoming out of oil prices in early 2016 and the associated rebound of the energy sector in the credit space caught most active managers by surprise. As a result, only 24% of active managers in the U.S. High Yield segment outperformed the ETF in 2016, compared to 64% in 2015.

In contrast, most Japan equity managers benefitted from the rotation from quality to value stocks that took place in H2-2016. The active management industry performed well in this market segment. Actually, the equity fund offering in Japan tends to be more value-oriented. 57% of Japan equity managers outperformed the ETF in 2016, compared to 26% in 2015.

Finally, US fixed income managers have also managed to outperform their benchmark. They benefitted from the rise in bond yields in H2-16, especially in the U.S. Most managers tended to be underweight duration, which detracted a lot during the beginning of the year, but which proved helpful when bond yields started to rise. Overall, 52% of USD Diversified bond managers outperformed the ETF in 2016, compared to 28% in 2015.