

Amundi ETF

ETFs: Ideal tools for implementing Fixed Income portfolio strategies

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Agenda

- 01 Introduction: Amundi ETF
- 02 Overview of the Fixed-Income ETF market in Europe
- 03 Use of Fixed Income ETFs in portfolio strategies
- 04 Conclusion

01

Amundi ETF: 2 years of constant growth

Amundi ETF: 2 years of constant growth

Amundi ETF is recognised as a Major European player

96 ETFs

• Full range of products covering all asset classes

€6 Bn

• AUM⁽¹⁾

3rd

• Number of ETFs launched in 2010⁽²⁾

+60%

• AUM growth in 2010

4th

• Player in terms of product offer in Europe ⁽²⁾

260

• Listings in Europe

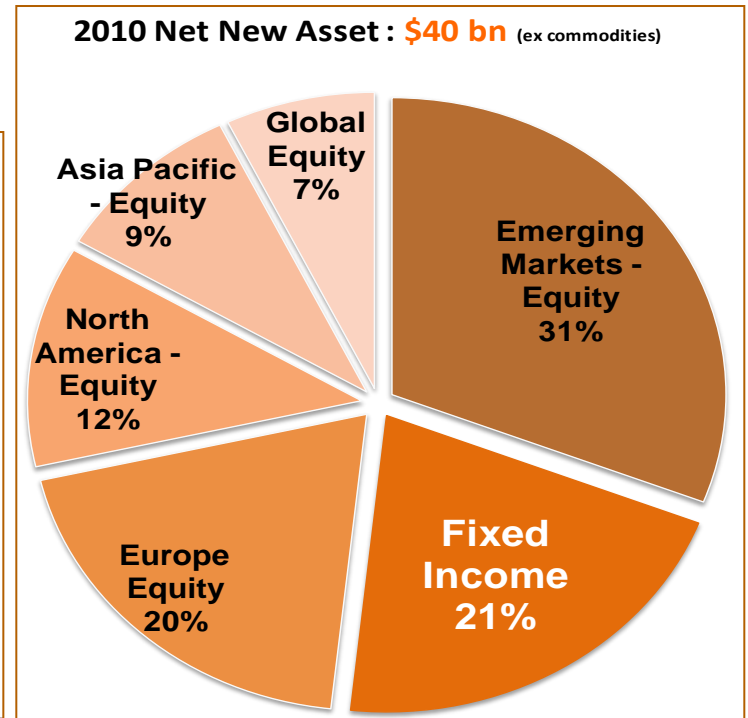
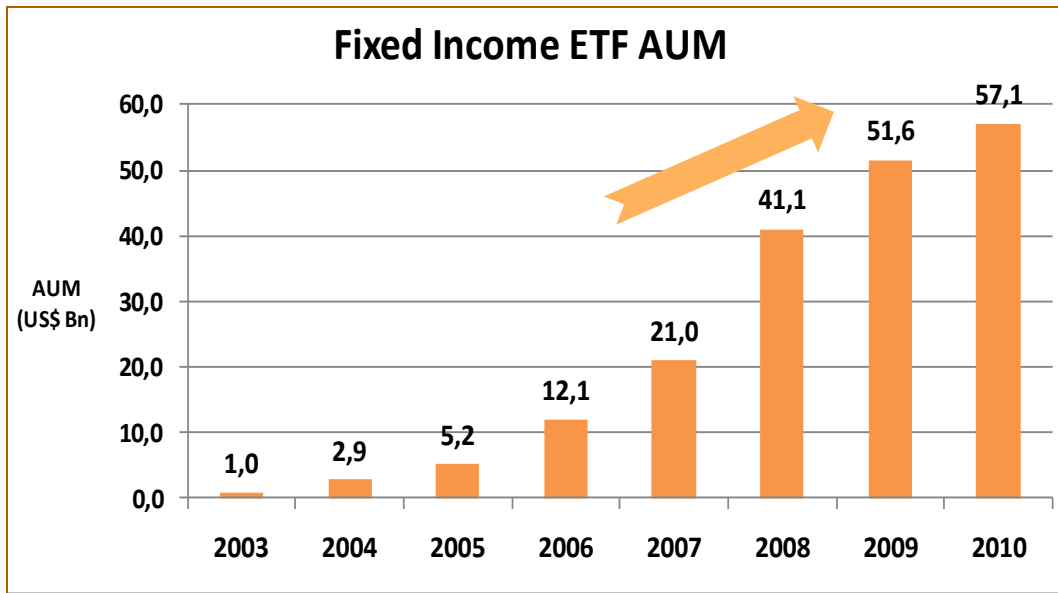
02

Overview of Fixed Income ETF market in Europe

A fast growing ETF asset class since 2007

Fixed income ETFs market in Europe:

- Fixed Income ETF AUMs x 2.5 since 2007
- Today, there are 200 ETFs for a total AUM of \$57bn
- In 2010, Fixed Income ETFs net new assets accounted for 21% of ETF net inflows



3 Exposures weight for 85% of the AUM on Fixed Income ETFs

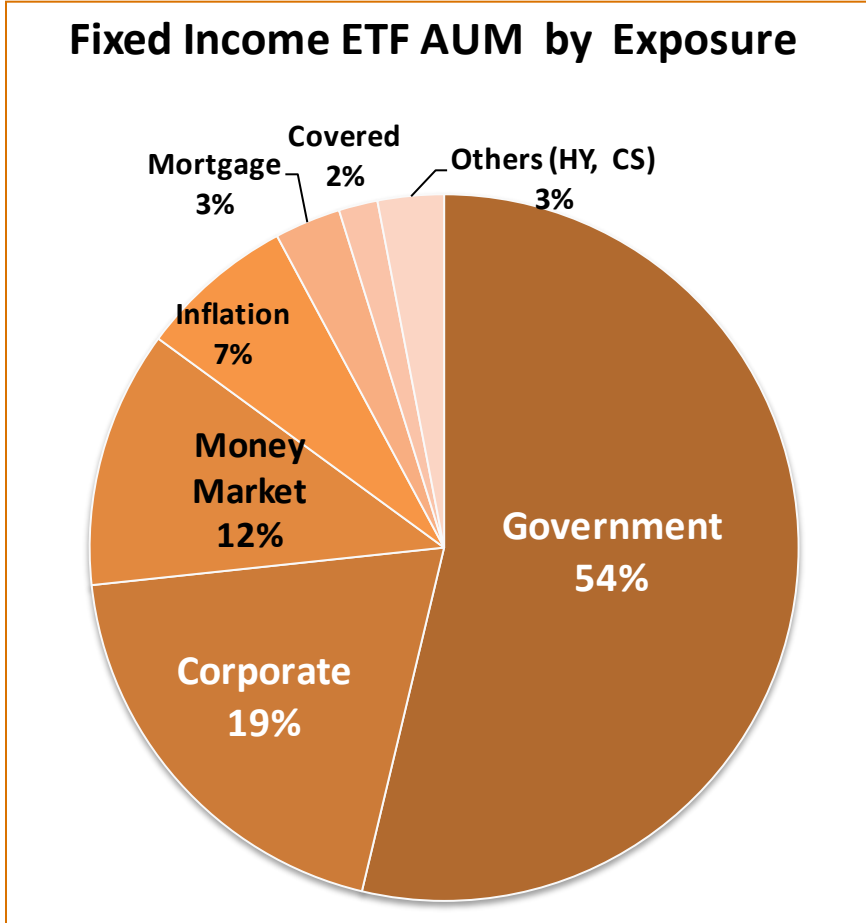
Fixed income ETF market in Europe:

■ **85% of the AUM on Fixed Income ETFs is concentrated on 3 major type of exposures**

- Government bonds
- Corporate bonds
- Money Market

■ **15% of the remaining AUM on Fixed Income cover**

- Inflation
- Mortgage
- Covered Bonds
- Credit Spread , High Yield



03

Use of Fixed Income ETFs in portfolio strategies

From simple strategies ...

Fixed income ETFs can be used for single strategies:

Portfolio allocation

- **Fixed income ETF is a simple way to buy a basket of bonds**

Country / Region allocation

- **The large range of Fixed Income ETFs offers investors a wide choice to invest on dedicated country, regions or ratings**

Duration and maturity management

- **With maturity bucket ETFs, investors can manage the duration or the yield of their fixed income portfolio**

... to more sophisticated implementations

By combining long and short fixed income ETFs, investors can implemented multiple strategies:

RELATIVE VALUE STRATEGIES

Hedging Strategy

- The inverse replication of bond indices over different durations and maturities allows EFFICIENT hedging of a government exposures portfolio

Flattening/ Steepening of the yield curve

- In combination with the equivalent long ETFs on individual segments of the curve, investors can implement flattening/steepening strategies on the yield curve anticipation

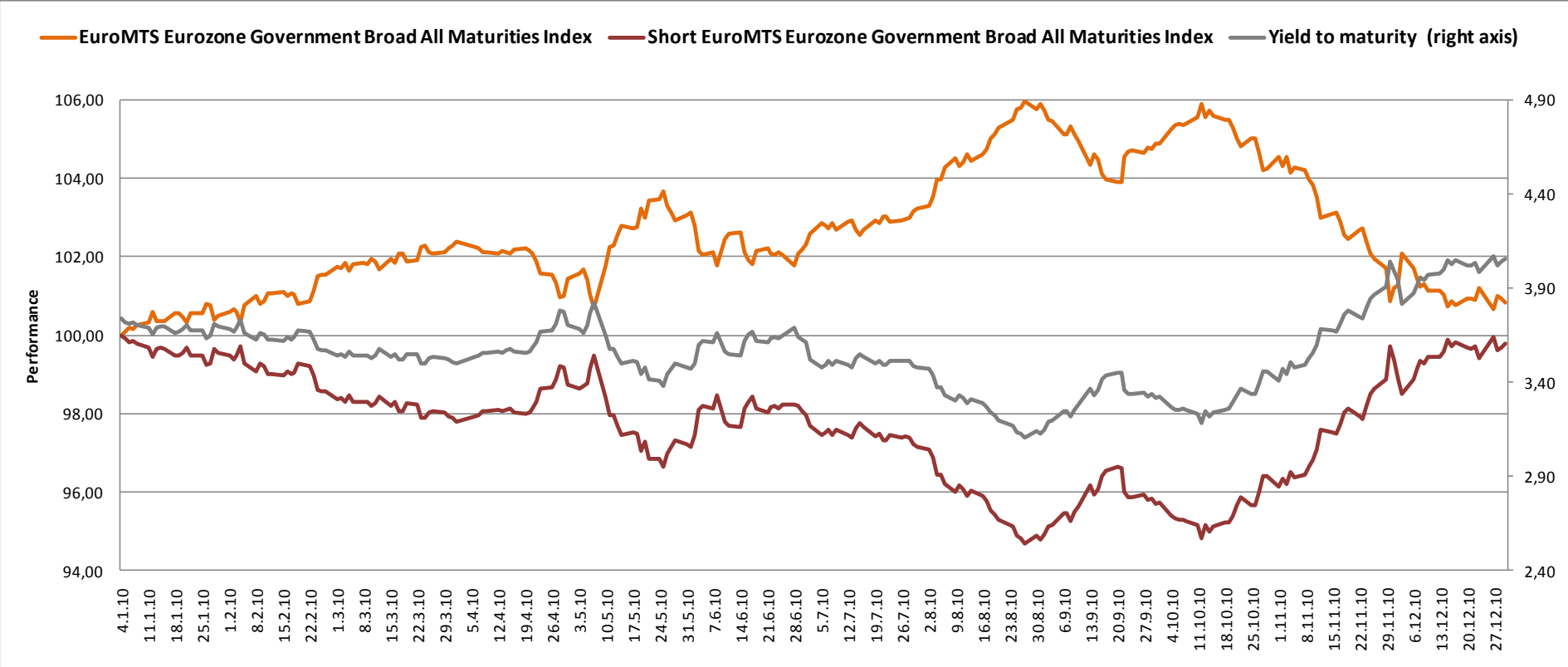
Widening/ Narrowing of credit spreads

- Indices also contain a certain percentage of bonds from peripheral countries. Therefore, short ETFs profit from broader spreads.

Example 1: Hedging portfolio strategy

Short ETFs are suitable for Hedging portfolio

SHORTAGE FORMULA
- Index performance
+ 2x EONIA
- borrowing costs



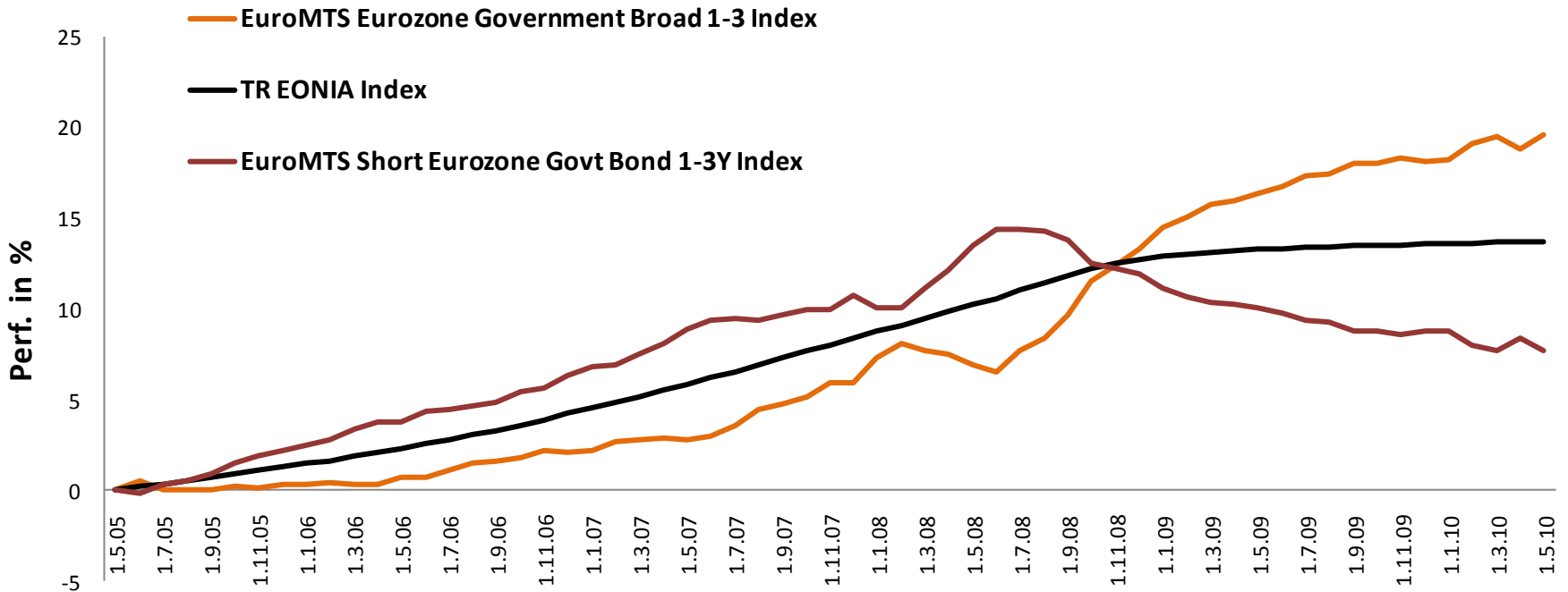
Source: Bloomberg, Amundi ET,F - Data from 04/01/2010 to 31/12/2010

Short ETFs reflect the yield to maturity movement

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Example 2: The compounding effect – bond indices

Thanks to low compounding effect, short ETFs are suitable hedging instrument for a long portfolio



01/05/2005 to 31/05/2010	Performance	vs Eonia
Long Index	19,59%	5,86%
Eonia	13,73%	
Short Index	7,69%	-6,04%

Source: Bloomberg, Amundi ETF, data from 01/05/2010 to 31/05/2010

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Past performance is not a guarantee or a reliable indicator for future returns

Example 3: Relative Value Strategies (flattening/steepening)

Example:
In anticipation of a **FLATTENING** of the yield curve, on the 1-3y vs 7-10y segment

Buy
ETF SHORT GOVT BOND BROAD 1-3Y
Duration weighted

Buy
ETF GOVT BOND BROAD 7-10Y
Duration weighted

Example:
In anticipation of a **STEEPENING** of the yield curve, on the 1-3y vs 7-10y segment

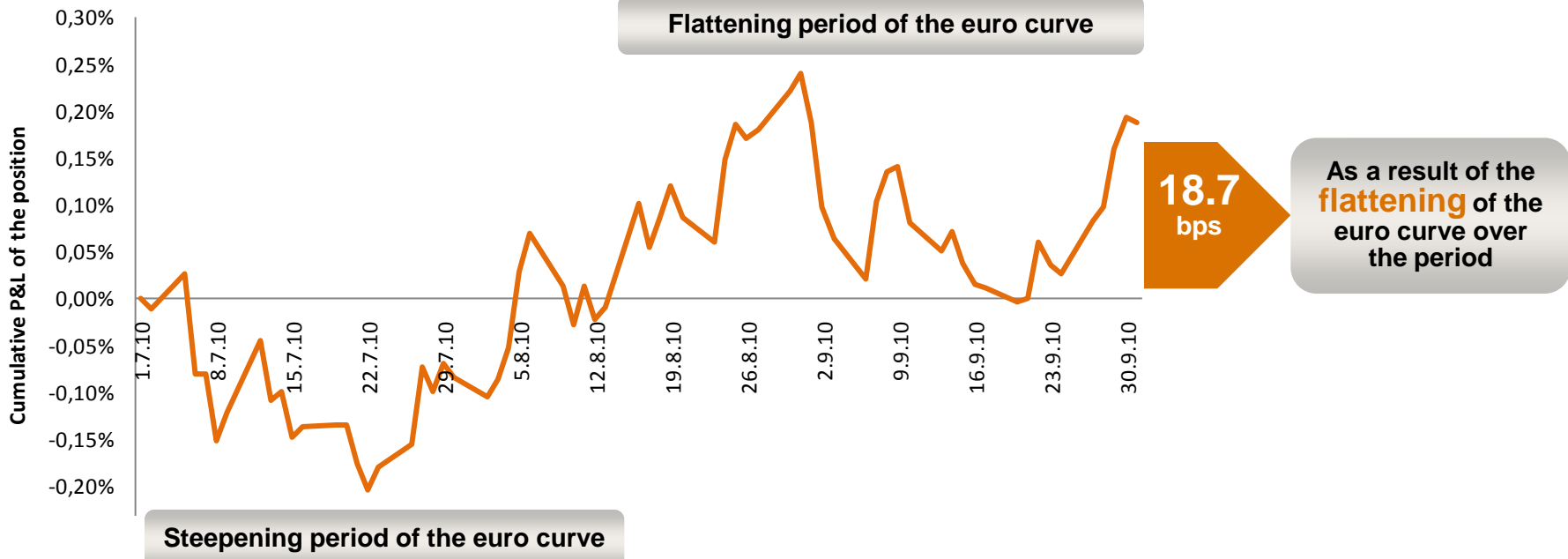
Buy
ETF GOVT BOND BROAD 1-3Y
Duration weighted

Buy
ETF SHORT GOVT BOND BROAD 7-10Y
Duration weighted

Example 3: Relative Value Strategies (flattening/steepening)

**FLATTENING EXAMPLE:
1 July 2010 – 1 October 2010**

EuroMTS Short Euro Govt Bond 1-3 Index
EuroMTS Euro Govt Bond 7-10 Index
Modified Duration Exposure at 0



	EuroMTS Short Euro Govt Bond 1-3 Index	EuroMTS Euro Govt Bond 7-10 Index	Mod. Duration 1-3 Y	Mod. Duration 7-10Y
1 July 2010	123,24	174,90	1,84	7,08
1 October 2010	122,73	179,18	1,91	7,27
Performance	-0,41%	2,45%		

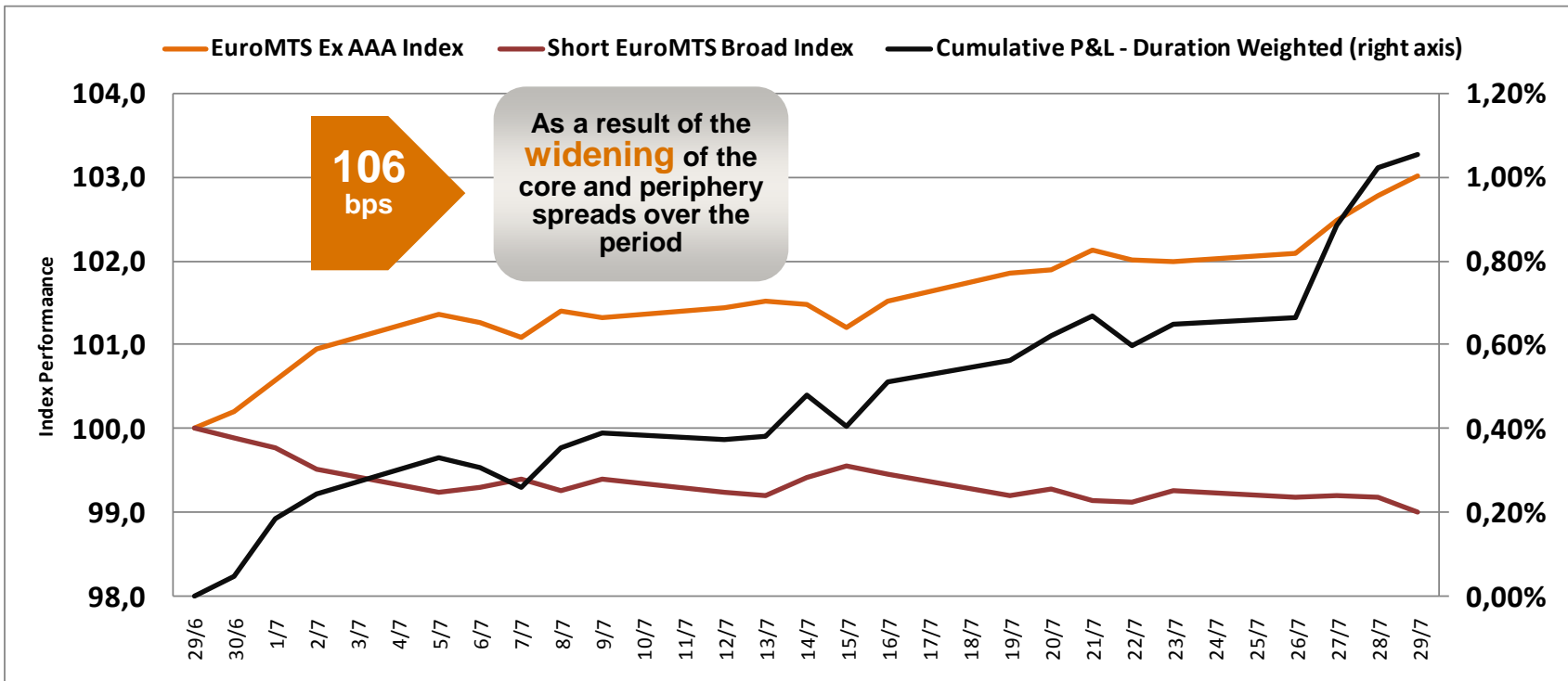
Source: Bloomberg, Amundi ETF
Data from 1/7/2010 to 1/10/2010

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Example 4: Relative Value Strategies (widening/narrowing)

**WIDENING EXAMPLE:
29 June 2010 – 29 July 2010**

**EuroMTS ExAAA Index
Short EuroMTS Eurozone Government Broad All Maturities
Modified Duration Exposure at 0**



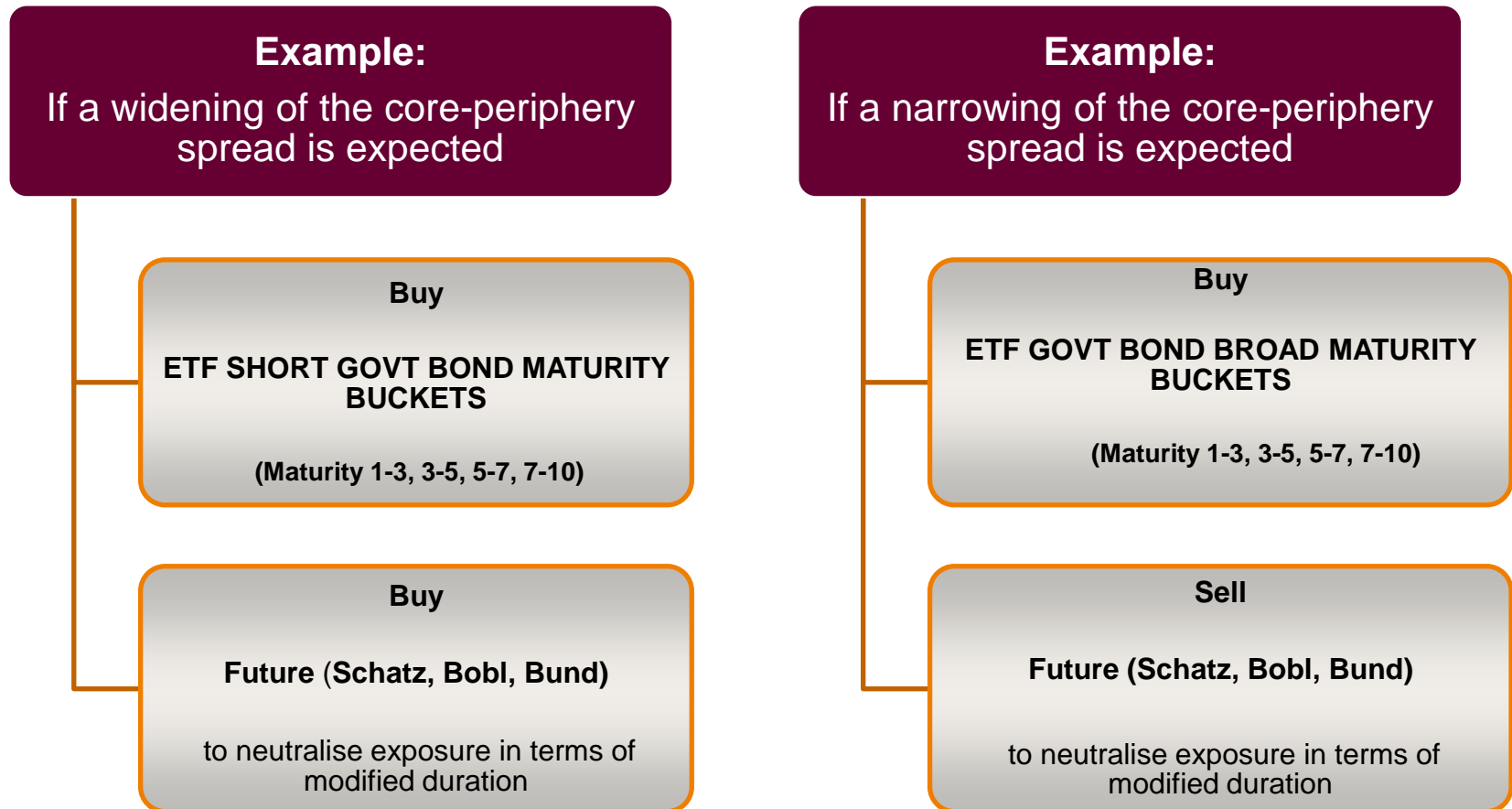
	Short EuroMTS Eurozone Government Broad All Maturities Index	EuroMTS ex-AAA Government Index	Mod. Duration Broad	Mod. Duration ExAAA Index
29/06/2010	111,51	159,22	-6,13	5,85
29/ July 2010	110,41	164,02	-6,21	5,91
Performance	-0,99%	3,01%		

Source: Bloomberg, Amundi ETF
Data from 29/06/2010 to 29/07/2010

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Example 5: Intra EMU spread strategies

Combining short Fixed income ETFs with Futures:



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CONCLUSION

Conclusion

- Fixed income ETF asset under management have grown rapidly since 2007
- Most of the assets in Europe are concentrated in Government, Corporate and Money market exposures
- They are multiple uses for Fixed income ETFs in portfolio strategies combining:
 - Long ETFs
 - Maturity buckets ETFs
 - Short ETFs
- Trading Fixed Income ETFs is different from Equity ETFs

Amundi ETF Range

Within our wide range of products, Amundi ETF offers a complete range of Fixed Income ETFs for Investors

BONDS – 24 ETFs

- Euro Govies → 9 ETFs
- Euro Short Govies → 6 ETFs
- US Govies → 3 ETFs
- US Short Govies → 3 ETFs
- Emerging Govies → 1 ETF
- Corporate → 1 ETF
- Inflation → 1 ETF

EQUITIES – 67 ETFs

- Regions → 16 ETFs
- Countries → 19 ETFs
- Sectors → 13 ETFs
- Styles → 6 ETFs
- Short → 5 ETFs
- Leveraged → 4 ETFs
- Thematic → 2 ETFs



MONEY MARKET – 1 ETF

COMMODITIES – 4 ETFs

All **Amundi ETF** products are **UCITS III compliant** which provides a **regulated legal framework**

Main Investment Risks

Investment risks

Risk of loss of capital

Transaction costs may occur

Risk inherent of the underlying

Counterparty risk

Currency rate risk

The fund objective may only be partially reached

For further details regarding risks, please refer to the full products prospectus available upon request or online on www.amundiETF.com

Investors are reminded that transaction costs may occur

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