

# Source LGIM Commodity Composite UCITS ETF

## Investment objective

The Source LGIM Commodity Composite UCITS ETF (the "Fund") aims to provide the performance of the LGIM Commodity Composite Index (the "Reference Index") after fees.

## Investment risks

- Commodity prices can be volatile
- The performance of commodity indices may differ significantly from spot commodity prices
- An investor may not get back the amount invested

## About the Reference Index

The LGIM Commodity Composite Index is designed to offer high quality, diversified and tradable exposure to the global commodity market. It comprises a minimum of three constituent indices, selected from a universe of broad commodity indices. The universe includes both established "first generation" benchmarks and "second generation" indices.

The selection process, developed by Legal & General Investment Management Limited (LGIM), aims to identify indices with the following characteristics:

- Representative of the broad commodity market
- Liquid
- Robust with a well-defined methodology
- Accessible at reasonable cost

The selected indices are equally weighted with quarterly rebalancing. The index composition is reviewed at least once a year. A full description of the index methodology can be found at [www.lgim.com/LGCCIndex](http://www.lgim.com/LGCCIndex).

## Source ETF structure

Source's market leading ETF structure allows efficient tracking of the Reference Index, while minimising counterparty risk. The Fund is fully invested in high quality securities, typically US Treasury Bills. It also enters into total return swaps to deliver the Reference Index performance. Using multiple counterparties diversifies the risk. In addition, any positive performance above a set threshold is collateralised on a daily basis<sup>1</sup> and swaps are reset weekly, thus minimising exposure to any counterparty. Investors should note that, whilst the structure seeks to reduce counterparty exposure, the Fund is exposed to a counterparty default.

## LGIM® Commodity Composite Index (Data as of 30 November 2017)

### 10 year performance



### Risk/return profile

Year	Index performance	Volatility <sup>2</sup>	Sharpe ratio <sup>3</sup>
2017 YTD	4.38%	9.31%	-
2016	16.01%	14.84%	1.04
2015	-23.78%	14.84%	-1.62
2014	-17.52%	9.55%	-1.85

### Benchmark composition



### Top index holdings

Company	Weighting
DBLCI-OY Balanced Total Return Index	25.13%
UBS Bloomberg CMCI Composite USD TR	25.11%
JP Morgan JPMCCI Ex Front Month Energy Light TR	24.98%
Citi Cubes (DJUBS wtd) TR Index	24.78%

Source: Bloomberg

*Past performance is not a reliable indicator of future returns. As this performance is of the Reference Index and not the Fund, it does not include any costs.*

## Trading information

Exchange listing: LSE  
Trading currency: GBP  
Trading times: 08:00 - 16:30  
London time  
ISIN: IE00B4TXPP71  
Bloomberg: LGCF LN  
Reuters: LGCF.L

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Trading currency: USD  
Trading times: 08:00 - 16:30  
London time  
ISIN: IE00B4TXPP71  
Bloomberg: LGCU LN  
Reuters: LGCU.L

## Index information

Index: LGIM® Commodity Composite Index  
Currency: USD  
Bloomberg: TGPLGCC  
Reuters: .FTLGCC  
Index sponsor: Legal & General Investment Management (LGIM)  
Calculation agent: FTSE International Limited (FTSE)

## ETF information

Replication method: US T-Bills with swap overlay  
Issuer: Source Markets plc  
Depository: Northern Trust Fiduciary Services (Ireland) Limited  
Portfolio administrator: Northern Trust Securities Services (Ireland) Limited  
Fund inception: 20 Dec 2011  
Ongoing charge<sup>4</sup>: 0.40% p.a.  
Swap fee: 0.37% p.a.  
Domicile: Ireland  
UK reporting status: Yes  
ISA/SIPP: Eligible

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<sup>1</sup> With cash, US T-Bills, UK gilts or German bunds

<sup>2</sup> Annualised volatility based on daily log returns

<sup>3</sup> Sharpe ratio is adjusted for risk free rate, taken as the yield on 12 month US Treasuries

<sup>4</sup> Includes management fee, custody and administration costs but excludes transaction costs such as swap costs

## Key disclaimer information

This factsheet contains a summary description of the LGIM Commodity Composite Source UCITS ETF (the "Fund") and is for discussion purposes only.

This factsheet which contains a summary description of the above mentioned ETF is for discussion purposes only and is intended for professional investors pursuant to Directive 2004/39/EC (MIFID) Annex II Section I. A complete description of the shares is set out in the prospectus of the above mentioned ETF. This factsheet is not for distribution to, or for the attention of, US or Canadian persons. The prospectus documenting the issue of Source ETFs is downloadable from [www.sourceetf.com](http://www.sourceetf.com).

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**Risk factors:** The investments of the Fund in the underlying indices and referenced commodities are subject to risks inherent in investing in such instruments. The value of shares relating to each Fund can go down as well as up and an investor may not get back the amount invested. Changes in exchange rates between currencies or the conversion from one currency to another may also cause the value of the investments to diminish or increase. An investment in a Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors. There is no assurance that the Fund will achieve its investment objective. As the Fund, whose target performance is linked to the LGIM Commodity Composite Index (the "Reference Index"), will often be invested in securities which differ from the constituents of the Reference Index, derivative techniques will be used to achieve the performance of such index. While the prudent use of such derivatives can be beneficial, derivatives also involve risks which, in certain cases, can be greater than the risks presented by investing directly in the constituents of the Reference Index.

**Counterparty risk:** Through the Fund, investors are exposed to counterparty risk resulting from the use of derivatives to provide exposure to the index. In line with UCITS guidelines and Source policies, the exposure to any derivative counterparty is tightly controlled but the default of a derivative counterparty may cause a loss to the Fund. It is recommended that potential investors study the Fund prospectus before investing.

**Lack of track record:** Neither the Fund nor the Reference Index have a material track record.

**Risks related to commodity indices:** The Fund is an index-linked fund and

the amount payable in respect of the Fund depends upon, among other things, the performance of the Reference Index. Through its exposure to the commodity indices, the Reference Index is calculated by reference to the prices of certain commodity contracts and is therefore subject to many of the risks of direct investment in commodities. In addition to general economic and other factors, the commodity markets are subject to temporary distortions or other disruptions due to various factors, including changes in supply and demand, the lack of liquidity in those markets, speculation and government regulation and intervention, any of which may increase the risk of price volatility. Commodity futures markets are subject to regulations that limit the amount of fluctuation in prices that may occur during a single business day. Commodities are also subject to changes in regulation that may affect their price or liquidity, reduced liquidity of underlying contracts may affect the level of the Reference Index or require changes to their components of methodology.

The Reference Index replicates an actual investment in futures contracts, where futures contracts that are nearing expiration are sold and longer-dated contracts are bought. This process is known as "rolling" and has an impact on the performance of the Reference Index. When the price of the futures contract in the first delivery month (which is sold) is greater than the price of the futures contract in the second delivery month (which is bought), the market for such contracts is referred to as being in "backwardation". A period of backwardation will have a positive impact on the performance of the Reference Index. When the price of the futures contract in the first delivery is lower than the price of the futures contract in the second delivery month, the market for such contracts is referred to as being in "contango". There have been periods of time when there has been consistent and/or significant contango, and the process of rolling futures has had a strongly negative impact on the performance of the Reference Index.

**Past performance:** The performance of the Reference Index is simulated based on composition of the Reference Index as at 10 November 2011. Past performance (actual or simulated) is not necessarily indicative of future performance. Simulated performance results have many inherent limitations, some of which are described below. No representation is being made that the Index will achieve a performance record similar to that shown. In fact, there are frequent sharp differences between a simulated performance record and the actual record of the combination of those underlying elements subsequently achieved. Source UK Services Limited expressly disclaims any responsibility for (i) the accuracy or completeness of the models, assumptions, estimates and data used in deriving the "back testing" information, (ii) any errors or omissions in computing or disseminating the "back testing" information, and (iii) any uses to which the "back testing" information may be put by any recipient of such information.

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