



SGI Commodities Curve Momentum Beta +

COMMODITIES

STRATEGY

This document does not constitute an offer, a solicitation, an advice or a recommendation from SG to purchase or sell the index, **which cannot be invested in directly.**

SOCIETE GENERALE INDEX

Link your assets to a wide index universe



Introducing the SGI Commodities Curve Momentum Beta +



The **SGI Commodities Curve Momentum Beta + Index** (the “Index”) aims to outperform commodities, through a **systematic** long only strategy based on pure quantitative signals.

The Index’s strategy ranks commodities according to a technical trend indicator based on the shape of the futures curve: the larger the backwardation the greater the weight in the index. The index aims to overweight the most backwardated commodities.

Rationale

Why invest in Commodities ?

Hedge against Inflation	Hedge against Geopolitical turmoil	Hedge against USD weaknesses	Linked to the Emerging growth	Provides Diversification
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Extracting the hidden yield of commodities markets

- Commodities are raw materials that investors can trade through futures contracts. During the monthly roll process, the expiring futures contract is sold, and the nearby contract is purchased. The price difference between the sold contract and the bought contract is called the “roll yield”.
 - When futures contract prices are decreasing with maturity, the commodity is said to be in **Backwardation**. If the shape of the curve remains in Backwardation, the roll-yield is **positive**.
 - When futures contract prices are increasing with maturity, the commodity is said to be in **Contango**. If the shape of the curve remains in Contango, the roll-yield is **negative**.
- The fact that future prices are higher or lower than spot prices is mainly dependent upon the fundamentals of the physical markets and the level of inventories: Backwardation reflects a market in deficit and Contango reflects a market in surplus.
- The essence of the Index is to enhance commodities’ return by overweighting the futures indices with the most positive roll yield and underweighting those with negative roll yield.

On a widely diversified universe

Gasoline Gas Oil Natural gas	WTI crude oil Brent crude oil Heating oil	Gold Silver	Aluminium Lead Nickel Copper Zinc	Corn Cocoa Kansas wheat Soybean	Cotton Sugar Wheat Coffee	Feeder cattle Live cattle Lean hogs
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Main reasons to link your assets to the Index

Solid Construction	Transparency	Liquidity
<ul style="list-style-type: none">Fully systematic processSG’s in-depth knowledge and presence in the commodities market over the past 20 years	<ul style="list-style-type: none">Standard & Poor’s acts as the index calculatorThe process is rules-based, transparent and replicable	<ul style="list-style-type: none">Daily liquidity and large capacity for any Index-linked investment.

Mechanism

The Index is invested in SGI single commodity indices which optimize the roll methodology: while Benchmark indices roll on the 1st nearby contracts (which weighs on prices), SGI single commodity indices are based on rolling the 2nd nearby contracts.

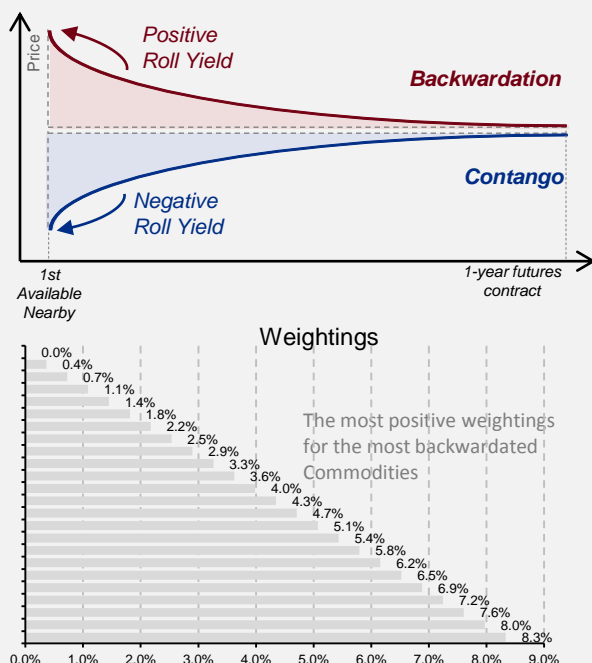
Curve Signal

The index is based on 24 commodities.

The Curve Signal uses the shape of the futures curve, the difference in price between the 1-year futures and the first nearby contract of each commodity, as a criterion to rank the 24 commodities in order from those most backwardated to those most contangoed.

An enhanced systematic allocation

- The Strategy overweights the **most backwardated** (and underweights the most contangoed).
- The **weights are linearly distributed** from the best to the worst rank from approximately +8.3% down to 0 %.
- The portfolio is rebalanced monthly according to Curve Signal evolution.

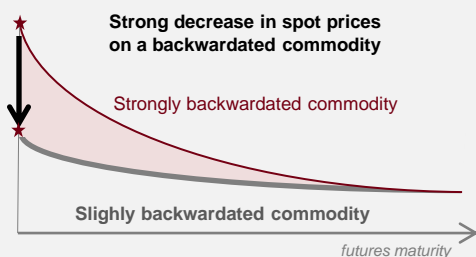


Price Filter

On top of the curve signal, the Index strategy embeds a Price Filter aiming to benefit from any price acceleration that may contradict the curve signal.

For each commodity of the investment universe, the 1-month price movement is compared with the 1-year price movement to identify strong price acceleration.

Strong price acceleration often leads to a sudden reversal in the curve shape (from backwardation to contango or vice-versa)



- **A commodity in Backwardation:** extreme downward price acceleration leads to a re-ranking of the weights in the allocation
- **A commodity in Contango:** extreme upward price acceleration leads to a re-ranking of the weights in the allocation

For each commodity, when the Price Filter contradicts the Curve Signal, the weighting of the commodity is offset to a more average weighting.

Index characteristics

■ Index composition	Société Générale	■ Index calculation	End of day
■ Index calculator	Standard & Poor's	■ Index Starting date	May 10th, 2011
■ Type of return	Excess Return (available in Total Return)	■ Strategy Starting date	November 1st, 2010
■ Currency	USD	■ Bloomberg ticker	SGICCLMX Index (SGICCLMT Index)

CALCULATED BY



S&P Financial Services LLC is renowned for its expertise in the creation and management of global indices.

Presenting SGI

Société Générale Index (SGI) is a leading index provider, part of the Société Générale group. Integrated in its Global Markets division, SGI fully benefits from the expertise of a **leading derivatives house**.

The SGI range of indices covers a wide scope of assets, including **equities, interest rates, credit, commodities and foreign exchange**, either structured as a cross-asset allocation or as single-asset strategy. All SGI indices are structured with the aim of **providing an adequate tradeoff between liquidity and performance**.

The SGI range of indices targets the growing market demand for **absolute and uncorrelated return** engines, **quantitative strategies** and niches of growth such as **alternative energies, water or sustainable investments**.

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