



*ETFX Exchange Participants act as distribution partners, authorised participants and swap providers on the platform.

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.

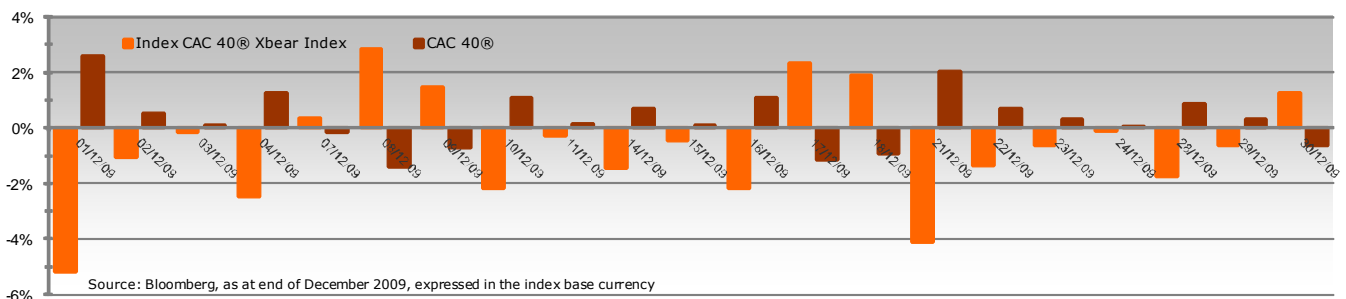
Benefits of ETFs tracking 2x short indices

- Provides double short exposure with a reduced capital outlay
- Multiple market makers provide liquidity and continuous pricing
- An ETF tracking a double short index will increase in value by **twice the daily % decrease and will decrease in value by twice the daily % increase** in the underlying index, excluding fees and adjustments
- 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 25% 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**

Index Daily Returns – last 20 trading days



Fund Facts

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

Security Features

Index	CAC 40® Xbear Index
Promoter	ETF Securities Ltd
Manager	ETFS Fund Management Company Ltd
TER	0.60%
Entry/Exit fees	None when traded on exchange
Legal Form	UCITS, Exchange traded fund
UCITS III	Yes
ISA/SIPP/CTF (UK)	Yes
Domicile	Ireland
EU Passport	Ireland, UK, Netherlands

Index Information

Exposure	France Equities
Number of components	40
Currency	EUR
Bloomberg	CACXB
Reuters	.CACXB
Index provider	Euronext
Website	www.euronext.com

Index Historical Performance

Base currency (EUR)	2009	2008	2007	2006
Index CAC 40® Xbear Index	-49.8%	82.8%	-1.1%	-30.1%
CAC 40®	22.3%	-41.5%	-0.8%	17.5%

Source: Bloomberg, as at end of December 2009, expressed in the index base currency

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.

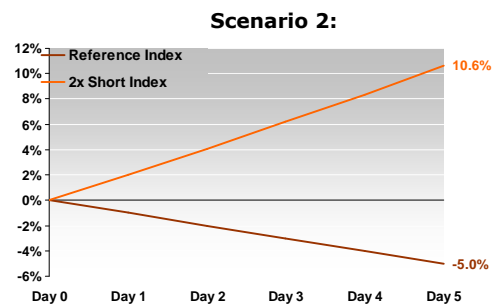
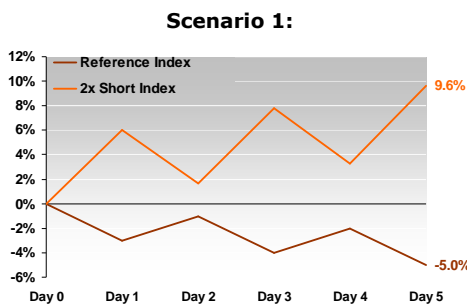


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How can daily rebalancing and volatility affect the performance of 2x short equity indices?

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

About ETF Exchange (ETFX)

ETF Exchange is the world’s first 3rd Generation ETF Platform offering investors access to low cost swap backed ETFs with credit diversification across a number of participants rather than reliance on a single bank. As the banks, APs and market makers compete for business, true liquidity and competition is created.

Third generation ETFs meet investor demands for increased levels of transparency, liquidity and counterparty risk management. Third Generation ETFs provide diversified index replication across a consortium of the strongest financial players and concentrate liquidity within a single platform.

ETF Securities pioneered the development of ETCs, with the world's first listing of an ETC, Gold Bullion Securities in Australia and London in 2003 and then the world's first entire ETC platform which was listed on the London Stock Exchange in September 2006. ETF Securities now offers more than 170 ETPs with over \$17 billion in assets as at December 2009. The Exchange Traded Products (ETPs) provide investors with a wide variety of investment strategies, with ETPs offering resource equities, physical, long, forward, leveraged and short exposure to all commodity sectors and now G10 Currencies



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