# L&G Foxberry Germany Large Cap Floored UCITS ETF

# FUND SUPPLEMENT
## No.13

*A sub-fund of Legal & General UCITS ETF Plc, an umbrella investment company with variable capital and segregated liability between its Funds incorporated with limited liability in Ireland under registration number 459936.*

**The Company and the Directors, whose names appear on page 10 of the Prospectus, are the persons responsible for the information contained in this Fund Supplement and accept responsibility accordingly. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information.**

**This Fund Supplement contains information relating to the L&G Foxberry Germany Large Cap Floored UCITS ETF (the "Fund") which is a separate Fund of Legal & General UCITS ETF Plc (the "Company"), an umbrella fund with segregated liability between its Funds. This Fund Supplement forms part of and should be read in the context of, and together with, the Company's Prospectus dated 20 April 2020 and any other applicable addenda. Investors should also refer to the Company's latest published annual report and audited financial statements (if any) and, if published after such report, a copy of the latest semi-annual report and unaudited financial statements. Capitalised expressions used and not defined in this Fund Supplement shall bear the meanings as set out in the Prospectus. If you are in any doubt about the action to be taken or the contents of this Fund Supplement, please consult your stockbroker, bank manager, lawyer, accountant or other independent professional adviser who, if such advice is taken in the United Kingdom, is an organisation or firm authorised or exempted pursuant to the FSMA. Investors should note that this Fund will pursue its investment policy principally through investment in FDIs.**

**Potential investors should consider the risk factors set out in the Prospectus and in this Fund Supplement before investing in this Fund. An investment in the Fund involves certain risks and may only be suitable for persons who are able to assume the risk of losing their entire investment.**

**The Prospectus sets forth information on investment risk, management and administration of the Fund, valuation, subscription, redemption and transfer procedures and details of fees and expenses payable by the Fund and should be read subject to the information herein.**

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The date of this Fund Supplement is 20 April 2020.

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# INVESTMENT OBJECTIVE

The investment objective of the L&G Foxberry Germany Large Cap Floored UCITS ETF (the "**Fund**") is to provide exposure to the large cap equity market in Germany whilst limiting maximum losses in any rolling 12 month period.

# INVESTMENT POLICY

In order to achieve this investment objective, the Fund will seek to track the performance of the Foxberry Floored Beta Germany Large Cap @80% TR Index (the "**Index**"), subject to the deduction of the TER and other expenses associated with operating the Fund as further described in the *"Fees and Expenses"* section of the Prospectus.

**In tracking the Index, the Fund may have an indirect exposure to shares issued by the same body of up to 20% of its Net Asset Value, which limit may be raised to 35% for a single issuer in exceptional market conditions, including (but not limited to) circumstances in which such issuer occupies a dominant market position.**

The Fund will seek to be fully exposed to the performance of the Index using "unfunded" total return OTC swaps with one or more counterparties (each, a "**Long Index Swap**") as described under the heading "Unfunded OTC Swap Model" and Schedule II in the Prospectus.

# TRACKING ERROR

The estimated anticipated tracking error for the Fund in normal market conditions is 0.10% (annualised).

# INDEX DESCRIPTION

As described in the *"Investment Policy"* section above, the Fund is designed to track the performance of the Index, subject to the deduction of the TER and other expenses associated with operating the Fund as further described in the *"Fees and Expenses"* section of the Prospectus. As described in further detail below, the Index incorporates a mechanism which enables the Index to maintain a protected "floor" of 80% of its highest value in any rolling 12-month period (i.e. a maximum loss of 20% from its highest value in any rolling 12-month period). **However, whilst on any given day the Index is designed to maintain a protected "floor" of 80% of its highest value in the previous 12-month period, the Net Asset Value of the Fund itself may decline below 80% of its highest value in the same period (i.e. may lose more than 20%) due to the impact of the TER and other expenses described in the *"Fees and Expenses"* section of the Prospectus which are charged to the Fund but which do not affect the Index.**

Please note that the description of the Index below refers to the use of cash and various financial instruments within the Index construction process (namely, index futures and call options). However, please note that, like all financial indices, the Index is not a collective investment scheme and, accordingly, does not have "real" cash to invest in the instruments that it refers to. Accordingly, the holding of cash positions and the buying and selling of instruments referred to in the Index construction process is theoretical only. The Index does not actually hold cash or buy and sell "real life" index futures and call options.

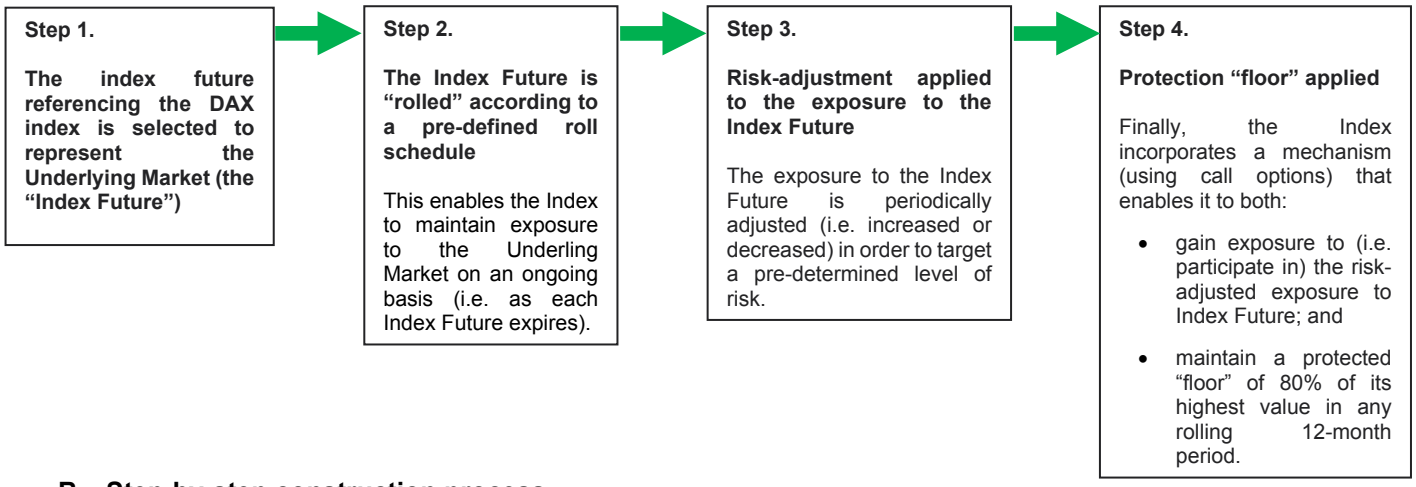
### A. Summary

The Index aims to provide exposure to the large cap equity market in Germany (the "**Underlying Market**") with the following features:

- a mechanism that enables the Index to control its overall level of risk by adjusting (i.e. increasing or decreasing) its exposure to the Underlying Market depending on the historical volatility of the Underlying Market; and

- a mechanism which enables the Index to maintain a protected "floor" of 80% of its highest value in any rolling 12-month period (i.e. a maximum loss of 20% from its highest value in any rolling 12-month period).

The Index is constructed by reference to a set of pre-determined rules and objective criteria and the construction process may be summarised as follows:




## B. Step-by-step construction process

A more detailed description of the main features of the Index construction methodology, including a summary of the performance characteristics of the Index, is set out below.

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| **Step 1** | **The index future referencing the DAX index is selected to represent the Underlying Market (the "Index Future")**<br><br>Accordingly, the Index Future is the "foundation" of the exposure being created by the Index. |
| **Step 2** | **The Index Future is "rolled" according to a pre-determined roll schedule**<br><br>As with all futures contracts, the Index Future referred to by the Index at any given time will expire in a certain month during the calendar year (in March, June, September and December respectively).<br><br>Accordingly, in order to maintain an exposure to the Underlying Market on an ongoing basis, it is necessary for the Index to "roll" from one Index Future to the next. This means that the Index Future which is currently held (i.e. which is nearest to its respective expiry date) must be sold and the later dated Index Future (i.e. which has a longer-term expiry date) must be purchased.<br><br>The Index Futures are rolled on a single day once a quarter. For example, on the relevant day during the quarter, the Index Future which expires in March will be sold and the Index Future which expires in June will be purchased. |
| **Step 3** | **The exposure to the Index Future is periodically adjusted (i.e. increased or decreased) in order to target a pre-determined amount of risk**<br><br>On a periodic basis, the exposure to the Index Future is adjusted (i.e. increased or decreased) in order to target a specific level of risk (the "**Risk-Adjusted Exposure**"). Risk is measured on a daily basis by reference to the historical "volatility" of the Index Future (which is the standard deviation of the returns of the Index Future over the last 253 days).<br><br>Accordingly, the amount of exposure that the Index has to the Index Future at any given time is determined by reference to the historical volatility of the Index Future itself.<br><br>*What do we mean by "exposure" and "leverage"?*<br><br>The term *"exposure"* in this context refers to the extent to which the Risk-Adjusted Exposure is invested in the Index Future at a given point in time (i.e. how "exposed" the Risk-Adjusted Exposure is to the Index Future at such point in time).<br><br>On any given day, if the historical volatility of the Index Future is exactly 15%, then the "exposure" of |

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| | the Risk-Adjusted Exposure to the Index Future will be exactly 100% which means that no actual risk-adjustment is being applied at that time (i.e. the Risk-Adjusted Exposure would be equal to (i.e. the same as) an un-adjusted exposure to the Index Future).<br><br>If the Risk-Adjusted Exposure to the Index Future is *less than* 100% at any given time (which can be as low as 0%), this is a so called *"reduced"* exposure or *"under-exposure"*.<br><br>Conversely, if the Risk-Adjusted Exposure to the Index Future is *more than* 100% at any given time (subject to a maximum permitted exposure of 150%), then the amount by which the exposure exceeds 100% is a so called *"leveraged"* exposure. Accordingly, the maximum "leverage" that can arise through the Risk-Adjusted Exposure is 50%.<br><br>The term *"leverage"* in this context refers to the *incremental* exposure to the Index Future arising as a result of the risk-adjustment as compared with an unleveraged investment directly in the Index Future. Please refer to the heading entitled *"Leverage features"* in Section C below for further information regarding the leverage characteristics of the Index as a whole (i.e. which take into account not only the leverage arising in the Risk-Adjusted Exposure, but also the leverage arising through the use of call options).<br><br>*What happens if the Index Future becomes **more** volatile?*<br><br>On any given day, if there is a sufficient *increase* in the historical volatility of the Index Future (i.e. if the historical volatility of the Index Future has exceeded a pre-defined threshold of 15%), then the exposure to the Index Future will be *reduced* below 100%. By reducing its exposure to the Index Future, the Risk-Adjusted Exposure becomes *less susceptible* to positive or negative moves in the market value of the Index Future.<br><br>A reduced exposure to the Index Future can be advantageous when the market value of the Index Future is generally *decreasing* because a lower proportion of the Risk-Adjusted Exposure's value is susceptible to the decrease in the market value of the Index Future. Conversely, this can be disadvantageous when the market value of the Index Future is generally *increasing* because a lower proportion of the Risk-Adjusted Exposure's value is susceptible to the increase in the market value of the Index Future.<br><br>It is possible for the Risk-Adjusted Exposure to have an exposure as low as 0% to the Index Future in times of extremely high volatility, although this is unlikely.<br><br>*What happens if the Index Future becomes **less** volatile?*<br><br>On any given day, if there is a sufficient *decrease* in the historical volatility of the Index Future (i.e. if the historical volatility of the Index Future has fallen below a pre-defined threshold of 15%), then the exposure to the Index Future will be *increased* above 100%. By increasing its exposure to the Index Future, the Risk-Adjusted Exposure becomes *more susceptible* to positive or negative moves in the market value of the Index Future.<br><br>An increased exposure to the Index Future can be advantageous when the market value of the Index Future is generally *increasing* because a higher proportion of the Risk-Adjusted Exposure's value is susceptible to the increase in the market value of the Index Future. Conversely, this can be disadvantageous when the market value of the Index Future is generally *decreasing* because a higher proportion of the Risk-Adjusted Exposure's value is susceptible to the decrease in the market value of the Index Future.<br><br>The Risk-Adjusted Exposure can have a maximum permitted exposure of 150% to the Index Future at any given time. Please refer to the heading entitled *"Leverage features"* in Section C below for further information regarding the leverage characteristics of the Index as a whole (i.e. which take into account not only the leverage arising in the Risk-Adjusted Exposure, but also the leverage arising through the use of call options). |
| **Step 4** | **Protection "floor" applied to the Risk-Adjusted Exposure to the Index Future**<br><br>As described above, the Risk-Adjusted Exposure forms the basis of the market exposure for the Index. |

The Index gains exposure to the Risk-Adjusted Exposure by purchasing call options referencing the Risk-Adjusted Exposure to the Index Future.

*Why are call options used to gain exposure to the Risk-Adjusted Exposure to the Index Future?*

Call options are not the only method by which the Index could gain exposure to the Risk-Adjusted Exposure to the Index Future (as an alternative, the Index could simply refer directly to the Risk-Adjusted Exposure to the Index Future). However, by using call options to gain exposure to the Risk-Adjusted Exposure to the Index Future, the Index can limit its maximum potential loss associated with such investment to the amount paid for the call options (i.e. the "premium").

Thus, by using call options, the Index is able to limit its maximum potential loss in any rolling one-year period (i.e. maintain a protected "floor") by simply limiting the total outstanding call option premium at any given time to a maximum of 20% of the notional value of the Index.

Please refer to the heading below entitled "*How is the protected "floor" implemented within the Index?"*

*What are "call options"?*

A *"call option"* is an agreement between two parties (the purchaser and the seller) that gives the purchaser the right, to purchase an agreed quantity of index futures from the seller at a certain date in the future (the *"expiration date"*) for a certain price (the *"strike price"*). When someone purchases a call option, they are purchasing the right to purchase an underlying asset at an agreed strike price regardless of the actual market price of the underlying asset at the relevant expiration date.

To compensate the seller for the risk taken in writing the call option, the purchaser of a call option pays a *"premium"* to the seller (which is the upfront "price" or "value" of the call option). Every day until the expiry of the call option, the premium (i.e. the value) of the call option will be re-evaluated.

The premium of a call option is comprised of two main determinants, the "intrinsic value" and the "time value":

- The *"intrinsic value"* is the difference between (i) the current market price of the underlying asset and (ii) the strike price of the option. If, on any given day, the current market price of the underlying asset is higher than the strike price (for example, if, on a given day, the market price of the underlying asset is $75 and the strike price is $50), then the call option is said to be *"in-the-money"*. Conversely, if, on any given day, the market price of the underlying asset is less than the strike price (for example, if, on a given day, the market price of the underlying asset is $45 and the strike price is $50), then the call option is said to be *"out-of-the-money"*.

- The *"time value"* is the extra amount that the purchaser of the option is paying for the call option above its "intrinsic value". In general, call options with expiry dates further into the future are more expensive (i.e. the "time value" is higher) as there is an increased chance that the underlying asset can end up having a market price above its strike price (i.e. because of the increased amount of time to expiry). Conversely, call options with nearer expiry dates are generally less expensive (i.e. the "time value" is lower) as there is less of a chance that the underlying asset will end up having a market price above its strike price (i.e. because of the shorter amount of time to expiry).

Accordingly, if, on any given day, the current premium (comprised of both the "intrinsic value" and "time value") is higher than the premium initially paid by the purchaser for the call option, then the purchaser of the call option has made an "unrealised" profit. The purchaser of the call option could then choose to either (i) "realise" the profit on the call option by selling it immediately or (ii) wait until the expiry of the call option and, assuming that there is still an unrealised profit at expiry, exercise the option to purchase the underlying asset at the agreed strike price (which is lower than the current market price) and then sell the underlying asset at the current market price, pocketing the difference.

Conversely, if, on any given day, the premium is lower than the premium initially paid for such call option, then the purchaser of the call option has made an "unrealised" loss (the loss only crystallises when the option expires). However, the unrealised loss is limited to the amount of premium initially paid when the call option was purchased.

Accordingly, call options enable a purchaser to participate in potential increases in the market value of an underlying asset whilst limiting their potential losses to the amounts initially paid for the premiums.

*How are call options used to create a leveraged exposure to an underlying asset?*

Purchasing call options allows an investor with a limited amount of capital to gain a much greater exposure to the underlying asset (e.g. a stock or index future) than they would by actually purchasing the underlying asset directly. This is because the cost of call options (i.e. the "premium") is typically much lower than the cost of the underlying asset, yet the investor is still able to participate in the movements in the market price of the underlying asset.

> Example:
>
> *If an investor had $1,000 to invest and wanted to invest in shares issued by Company A (which they believed were going to increase in value) and Company A's shares were initially valued at $20, then the investor could purchase 50 shares.*
>
> *Alternatively, the investor could decide to invest in call options on Company A's shares, each call option having a current "premium" of $2 and a "strike price" of $20. With $1,000 to spend, the investor could purchase 500 call options (at $2 each) which would, on the face of it, appear to give the investor exposure to 500 Company A shares (i.e. x10 the number of Company A shares).* However, in reality, this would not equate to a leverage factor of as much as x10 (i.e. the investor would not have as much as x10 exposure to the performance of Company A's shares) due to the impact of *"delta"* which is explained further below.

The *"delta"* value of an option is the ratio at which the price of the call option moves compared to the price of the underlying asset. The price of a call option typically only moves a fraction of the amount that the price of the underlying asset moves (i.e. a x% increase or decrease in the value of the underlying asset does not necessarily result in a corresponding x% increase or decrease in the value of the call option). The delta for a call option always ranges from 0 to 1 because, as the underlying asset increases in value, the call option increases in price. For example, the price of a call option with a delta value of 0.5 would move $0.50 for every $1.00 move in the price of the underlying asset.

Thus, because call options only move by a fraction of the amount that the value of the underlying asset moves, the total exposure to the underlying asset (including the incremental leveraged exposure) cannot be determined solely by reference to the number of units of the underlying asset which are referenced by the call option. Accordingly, the leverage determination takes into account both (i) the number of units of the underlying asset which the call option is referencing and (ii) the *"delta"* of the option (i.e. degree to which the value of the option moves in comparison with the price of the underlying asset).

Call options that are *"in-the money"* tend to have a higher delta than *"out-of-the money"* call options (i.e. the movements in the price of the call options tend to be *more closely aligned* with the movements in the price of the underlying asset). As the time remaining to expiration grows shorter, the "time value" of the option evaporates and correspondingly, the delta of *"in-the-money"* options increases. As delta increases, the effective leverage also increases as the call option is effectively participating in more and more of the underlying asset.

Conversely, call options that are *"out-of-the money"* tend to have a lower delta than *"in-the money"* call options (i.e. the movements in the price of the call options tend to be *less closely aligned* with the movements in the price of the underlying asset). As the time remaining to expiration grows shorter, the "time value" of the option evaporates and correspondingly, the delta of *"out-of-the-money"* options decreases. As delta decreases, the effective leverage also decreases as the call option is effectively participating in less and less of the underlying asset.

*How is the protected "floor" implemented within the Index?*

As stated above, the Index uses call options as a means of gaining exposure to the Risk-Adjusted Exposure to the Index Future.

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| | On each day, the Index purchases a call option referencing the Risk-Adjusted Exposure to the Index Future. Each call option referencing the Risk-Adjusted Exposure to the Index Future expires after a 6-month period which means that call options are constantly expiring either *"in-the-money"* or *"out-of-the-money"* (depending on whether the level of the Risk-Adjusted Exposure to the Index Future is rising or falling) and being replaced with new call options with different strike prices and later expiration dates.<br><br>As described above, the maximum loss that can arise from the purchase of call options is limited to the total outstanding premiums on all call options currently held. Accordingly, in order for the Index to achieve a construction whereby the maximum potential loss over a certain time horizon is limited, the total outstanding option premium must be limited. Thus, in order to ensure that the potential decline of the value of the Index in any rolling one-year period is limited to 20% from its highest value in the previous 12-month period (i.e. a protected "floor" of 80% of the highest value of the Index in such prior 12-month period), on a daily basis the Index limits the total outstanding call option premium to a maximum of 20% of its notional value.<br><br>*What happens if the outstanding option premiums are **less** than 20% of the notional value of the Index?*<br><br>The Index methodology entails a risk budgeting mechanism to ensure that the outstanding option premium does not exceed 20%. Therefore, on each day, the outstanding option premium will be less than (or equal to) 20% by construction. This is ensured by the risk budgeting mechanism within the Index which does not allow the further purchase of call options if the combined option premium exceeds a certain threshold.<br><br>*What happens if the outstanding option premiums **exceed** 20% of the notional value of the Index?*<br><br>If the call options purchased by the Index increase in value such that the aggregate premiums of all purchased call options at any given time exceed a certain threshold, the risk budgeting mechanism within the Index will cause it to sell a proportion of the call options that it holds in order to reduce the outstanding premiums to within 20% of the notional value of the Index (i.e. in order to preserve the protected "floor").<br><br>By selling call options in these circumstances, the Index crystallises a gain which is then treated as being held in a cash position (please refer to the section entitled *"Total return"* in Section C below). If the Index did not crystallise such gains by reducing the outstanding premiums to within 20% of its notional value, then more than 20% of the notional value of the Index would be exposed to the market moves of the Risk-Adjusted Exposure to the Index Future. Accordingly, the Index has to crystallise such gains in order to ensure that the potential loss is limited to 20% of its highest value in any rolling 12-month period. |

**C. Other features of the Index**

**Total return**

The Index is a total return index. Accordingly, as only up to 20% of the notional value of the Index can be invested in call option premiums at any given time, the remaining notional value of the Index is treated as being held in cash (EUR) and interest in an amount equivalent to the Euro Overnight Index Average (EONIA) will be accrued in respect of such cash value. However, during any period where the Euro Overnight Index Average (EONIA) is negative, the Index shall set the effective interest rate to 0%.

If the interest rate referred to by the Index was not set to 0% in circumstances where the real life interest rate was actually negative, it would be possible for the Index to decline below its protected floor due to the fact that 80% or more of the notional value of the Index is treated as being held in cash, such cash which would decay by reference to the negative interest rate.

"Total return" in this context refers to the total (i.e. "complete") return arising through the combination of (i) the return of the call options in respect of which up to 20% of the notional value of the Index may be invested in call option premiums at any given time and (ii) the interest accruing on the notional cash amount in respect of which 80% or more of the notional value of the Index is held at any given time.

**Rebalancing frequency and embedded transaction costs**

As described at Steps 2, 3 and 4 above, the Index rebalances in the following three ways, each of which gives rise to an embedded transaction cost which is deducted from the performance of the Index. Each of the transaction costs is intended to reflect the "real life" cost of investing in the various financial instruments comprised in the Index in accordance with the Index strategy. Accordingly, the transaction costs are determined (and periodically reviewed from time to time) by the Index Provider in consultation with market participants:

- **Rolling of the Index Futures** - Every time an Index Future is rolled in accordance with Step 2 above, a transaction cost is deducted from the return of the Index to reflect an equivalent "real life" investment in the Index Futures which is "rolled" in the same manner. The Index Futures are rolled on a single day, once a quarter.

- **Risk-adjustments to the exposure to the Index Future** - Each time the exposure to the Index Future is adjusted (i.e. increased or decreased) according to the risk-adjustment mechanism described at Step 3 above, a transaction cost is deducted from the return to reflect an equivalent "real life" investment in the Index Future using the same risk-adjustment strategy. The risk-adjustments described at Step 3 above can occur as often as daily, which is typical.

- **Call option transactions** - There are inherent costs associated with the purchase and sale of call options referencing the Risk-Adjusted Exposure to the Index Future (see Step 4 above). These costs are not priced into the Index explicitly (in contrast to the costs associated with the rolling of the Index Futures and the risk-adjustments described above) but are instead embedded into a "bid-ask spread" which is applied to the purchase and sale of call options by the Index. The bid-ask spread reflects the difference between the purchase price and the sale price of the call options and is incorporated into the Index with the intention of reflecting the "real life" cost of directly buying and selling equivalent call options. The bid-ask spread is incurred on each day that call options are bought or sold, which may be as often as daily, which is typical.

Further details of the foregoing transaction costs can be found in the *"Foxberry Floored Beta Index Rules"* and on the Index Provider's website: https://www.foxberry.com

**Leverage features**

The Index can be leveraged with respect to its exposure to the Index Future. The term *"leverage"* in this context refers to the incremental exposure to the Index Future arising as a result of the features of the index methodology as compared with an unleveraged direct investment in the Index Future.

*Leverage arising through the Risk-Adjusted Exposure*

As described in Step 3 above, on any given day, if there is a sufficient decrease in the historical volatility of the Index Future, the Risk-Adjusted Exposure to the Index Future will increase. If, at any given time, the Risk-Adjusted Exposure to the Index Future is *more than* 100% (subject to a maximum permitted exposure of 150%), then the amount by which the exposure exceeds 100% is a so called incremental *"leveraged"* exposure. Accordingly, the risk-adjustment features of the Index may cause it to have an incremental *"leveraged"* exposure to the Index Future of between 0% and a maximum of 50% at any given time. (i.e. a multiple of x1.5 when compared with an unleveraged investment in the Index Future).

*Leverage arising through the use of call options*

However, at any given time, the Index as a whole can have an incremental leveraged exposure to the Index Future in excess of that described under the heading "*Leverage arising through the Risk-Adjusted Exposure"* above by virtue of the fact that the Index uses call options to invest in the Risk-Adjusted Exposure to the Index Future. By using call options, the Index is able to gain a greater exposure to the underlying Index Futures than it would if it was investing directly in the Index Futures. Additionally, as the value of the Index Future increases, the *"delta"* of the call options also increases (i.e. the degree to which the performance of the call options resembles the performance of the Risk-Adjusted Exposure to the Index Future also increases). As the "delta" increases, the effective leverage within the Index also increases as the call options held by the Index are effectively participating in more and more of the performance of the underlying Index Future.

The call options referenced by the Index may cause the Index (as a whole) to have a maximum exposure of up to 354% to the Index Future at any given time. The amount by which the exposure of the Index (as a whole)

to the Index Future *exceeds* 100% at any given time is a so called incremental "leveraged" exposure. Accordingly, the features of the Index (as a whole) may cause it to have an incremental "leveraged" exposure to the Index Future of between 0% and a maximum of 254% at any given time (i.e. a multiple of x3.54 when compared with an unleveraged investment in the Index Future). Please refer to the heading entitled "*How are call options used to create a leveraged exposure to an underlying asset?"* at Step 4 above for a more detailed explanation of how leverage arises through the use of call options.

As a result of the leverage features comprised within the Index, it is possible for the value of the Index to rise significantly faster than the value of the Index Future. Conversely, it is equally possible for the value of the Index to fall significantly faster than the value of the Index Future, however, the possible decline in the value of the Index is always limited to 20% of its highest value in any rolling 12-month period as a result of the protection "floor" described in Section B above.

It should be noted that the leverage features described above do not impact upon the ability of the Index to limit the outstanding option premium in accordance with its risk-budgeting mechanism, and accordingly do not impact upon the ability of the Index to maintain the protected "floor" described at Step 4 above.

**Performance characteristics**

**The Index should not be expected to perform in line with the Index Future (or the Underlying Market which the Index Future references) due to the risk management features comprised within the Index which cause the Index to have an exposure of between 0% and 354% to the Index Future at any given time.**

- *What happens if the Underlying Market is experiencing an extended period of growth?*

  A call option held by the Index will be exercised "in-the-money" where the current level of the relevant Risk-Adjusted Exposure to the Index Future is *more* than the strike price stipulated by the call option (for example, if, on a given day, the level of the Risk-Adjusted Exposure to the Index Future is $77 and the strike price of the option is $50). Where the Underlying Market is generally in an upward trend (i.e. the Index Future is steadily increasing in value), more and more of the call options held by the Index are likely to be exercised "in-the-money". Accordingly, the level of the Index will start to rise in amounts equivalent to the difference between the initial premium paid for each call option and the current premium for each such call option (i.e. the difference will be a crystallised gain).

- *What happens if the Underlying Market is experiencing an extended period of decline?*

  A call option held by the Index will expire "out-of-the-money" where the current level of the relevant Risk-Adjusted Exposure to the Index Future is *less* than the strike price stipulated by the call option (for example, if, on a given day, the level of the Risk-Adjusted Exposure to the Index Future is $43 and the strike price of the option is $50). Where the Underlying Market is generally in a downward trend (i.e. the Index Future is steadily declining in value), more and more of the call options held by the Index are likely to start to expire "out-of-the-money". Accordingly, the value of the Index will start to decline in amounts equivalent to the amount of premiums paid for call options that are expiring "out-of-the-money" (i.e. the premiums paid for such call options will be crystallised losses).

  However, because the outstanding option premiums have been limited to 20% of the notional value of the Index, in any 12-month rolling period, the Index cannot decline by more than 20% of its highest value in the prior 12-month period.

**Further Information**

The Index Provider is Foxberry Limited and the Index is calculated independently by Solactive AG.

This is a summary of the principal features of the Index and does not purport to be an exhaustive description. Further information on the composition of the Index, including the rules and calculation methodology governing the Index, can be found in the *"Foxberry Floored Beta Index Rules"* and other informational materials which are available at https://www.foxberry.com

| | ISIN | Bloomberg | Reuters |
|---|---|---|---|
| ***Index***<br>Foxberry Floored Beta Germany Large Cap @80% | N/A | FXBYFBDE | .FXBYFBDE |

| | | | |
|---|---|---|---|
| TR Index | | | |

As at the date of this Fund Supplement, Foxberry Limited is listed as a registered benchmarks administrator on the public register maintained by ESMA under the Benchmark Regulation.

Portfolio Composition

The portfolio of Investments held by the Fund is available daily at http://www.lgimetf.com

# PROFILE OF A TYPICAL INVESTOR

Only Authorised Participants may purchase ETF Shares in the Fund directly from the Company. All other investors may acquire or purchase ETF Shares only through the secondary market.

It is expected that investors in the Fund will be sophisticated investors (and/or informed investors who have taken professional advice) who (i) are familiar with futures contracts and call options and understand the concepts of futures rolling, risk-controlled exposure and leverage and the respective impacts of each of those features on the performance of the Index in comparison to an investment directly in the Index Futures or the Underlying Market, (ii) understand the effect of the rebalancing methodologies and the associated embedded transaction costs on the performance of the Index, (iii) understand the risks associated with an investment in the Fund, including the impact on performance associated with the leverage features built into the Index, such as the risk of underperformance in comparison with a direct investment in the Index Futures or the Underlying Market, (iv) are able to bear the risk of losing their entire investment over the medium to long term and (v) view their investment as long term.

# RISK MANAGEMENT

**Global exposure**

The Investment Manager uses a risk management technique known as relative value-at-risk ("**Relative VaR**") to assess the global exposure of the Fund on a daily basis. Relative VaR is a measure of the maximum potential loss that may be incurred by the Fund due to market risk rather than by reference to how much the Fund is leveraged.

The Relative VaR of the Fund is determined by dividing the value-at-risk (the "**VaR**") of the Fund by the VaR of the DAX index (the "**Reference Portfolio**"). This allows the global exposure of the Fund to be compared, and limited by reference to, the global exposure of the Reference Portfolio.

The Central Bank requires that the VaR of a Fund must not exceed twice the VaR of its Reference Portfolio. It is not expected that the VaR of the Fund shall exceed twice the VaR of the Reference Portfolio. The one-tailed confidence level of the Fund shall be 99% and the holding period shall be one day. The historical observation period will not be less than one year, however, a shorter observation period may be used when appropriate (e.g. as a result of significant recent changes in price volatility).

**Leverage**

**A. Leverage calculated as the sum of the notionals of all FDI held by the Fund**

As the Fund uses VaR for the purpose of calculating its global exposure, it is a requirement of authorisation under the Irish Regulations that the Fund disclose the expected level to which the Fund will be leveraged and, where relevant, the possibility that higher leverage levels may apply. For the purpose of this disclosure, it is a requirement of authorisation under the Irish Regulations that *leverage* be calculated as the *full sum of the notionals of all FDI held by the Fund*, irrespective of the actual market exposure arising to the Fund as a result of the use of such FDI. Accordingly, leverage calculated in this manner is a reflection of the sum of all notional market exposures achieved through the use of FDI by the Fund as a percentage of the Fund's Net Asset Value. Under this approach, the notional value of the relevant FDI is taken into account along with the current mark-to-market value of the FDI. This interpretation of leverage assumes that all FDI positions held by the Fund are leveraged positions, irrespective of netting or hedging arrangements and even if such FDI positions do not actually create any incremental market exposure for the Fund.

It is also a requirement of authorisation under the Irish Regulations that any leverage comprised *within the Index* also be taken into account when determining leverage under the sum of the notionals approach described above. The term *"leverage"* in this context refers to the *incremental* exposure to the Index Future (as such term is defined in the *"Index Description" section* above) arising as a result of the features of the index methodology as compared with an unleveraged investment directly in the Index Future. The Index may have an incremental *"leveraged"* exposure to the Index Future of between 0% and 254% at any given time. Please refer to the heading entitled *"Leverage features"* in Section C of the *"Index Description"* section above for further information regarding the leverage features of the Index.

*"Reverse Repurchase Agreement" model*

Where the Fund utilises the "Reverse Repurchase Agreement" model as the sole method of cash management (as described in the section entitled *"Unfunded OTC Swap Model"* in the Prospectus), leverage calculated pursuant to the sum of the notionals approach would be comprised of (i) the notional value of the Long Index Swaps as adjusted to reflect their current mark-to-market value (i.e. the unsettled profit or loss on the Long Index Swaps) and (ii) the incremental leverage arising within the Index.

The proportion of the Fund's Net Asset Value that will be invested in the Long Index Swaps will be 100% at each periodic reset (i.e. the point of time at which the profit or loss on the Long Index Swaps is settled and the notional value of the Long Index Swaps is reset against the Net Asset Value of the Fund). Accordingly, the leverage arising pursuant to the Long Index Swaps at such time will equate to the same (i.e. will be 100% of the Fund's Net Asset Value). However, between the periodic reset dates of the Long Index Swaps, the TER and other expenses paid out of the assets of the Fund will steadily reduce the Fund's Net Asset Value versus the value of the Long Index Swaps. This will cause the leverage arising pursuant to the Long Index Swaps to increase slightly above 100% of the Fund's Net Asset Value until such time as the Long Index Swaps are next reset against the Fund's Net Asset Value. Nonetheless, and on the basis that the leverage arising pursuant to the Long Index Swaps is calculated to the nearest percentile, it is not expected that the leverage arising pursuant to the Long Index Swaps will exceed 100% of the Fund's Net Asset Value.

By combining the leverage arising pursuant to the Long Index Swaps with the incremental leverage arising within the Index (which may be up to 254%), it is expected that the Fund will be leveraged between 100% and a maximum of 354%, when calculated to the nearest percentile.

*"Short Basket Swap" model*

Where the Fund utilises the *"Short Basket Swap"* model as the sole method of cash management (as described in the section entitled *"Unfunded OTC Swap Model"* in the Prospectus), leverage calculated pursuant to the sum of the notionals approach would be comprised of (i) the notional value of the Long Index Swaps as adjusted to reflect their current mark-to-market value (i.e. the unsettled profit or loss on the Long Index Swaps), (ii) the notional value of the Short Basket Swaps as adjusted to reflect their current mark-to-market value (i.e. the unsettled profit or loss on the Short Basket Swaps) and (iii) the incremental leverage arising within the Index.

The proportion of the Fund's Net Asset Value that will be invested in the Long Index Swaps will be 100% at each periodic reset (i.e. the point of time at which the profit or loss on the Long Index Swaps is settled and the notional value of the Long Index Swaps is reset against the Net Asset Value of the Fund). Accordingly, the "leverage" arising pursuant to the Long Index Swaps at such time will equate to the same (i.e. will be 100% of the Fund's Net Asset Value). However, between the periodic reset dates of the Long Index Swaps, the TER and other expenses paid out of the assets of the Fund will steadily reduce the Fund's Net Asset Value versus the value of the Long Index Swaps. This will cause the leverage arising pursuant to the Long Index Swaps to increase slightly above 100% of the Fund's Net Asset Value until such time as the Long Index Swaps are next reset against the Fund's Net Asset Value. Nonetheless, and on the basis that the leverage arising pursuant to the Long Index Swaps is calculated to the nearest percentile, it is not expected that the leverage arising pursuant to the Long Index Swaps will exceed 100% of the Fund's Net Asset Value.

The proportion of the Fund's Net Asset Value that will be invested in the Short Basket Swaps will vary between 90% and a maximum of 100% of the Fund's Net Asset Value at each periodic reset (i.e. the point of time at which the profit or loss on the Short Basket Swaps is settled and the notional value of the Short Basket Swaps is reset against the Net Asset Value of the Fund). Accordingly, the "leverage" arising pursuant to the Short Basket Swaps at such time will equate to the same (i.e. will be between 90% and 100% of the Fund's Net Asset Value). However, between the periodic reset dates of the Short Basket Swaps, the mark-to-market value of the Short Basket Swaps may deviate from the Fund's Net Asset Value by up to 10% until such time as the

Short Basket Swaps are next reset against the Fund's Net Asset Value. Accordingly, the "leverage" arising pursuant to the Short Basket Swaps may be between 90% and 110% of the Fund's Net Asset Value.

By combining the leverage arising pursuant to the Long Index Swaps and the Short Index Swaps with the incremental leverage arising within the Index (which may be up to 254%), it is expected that the Fund will be leveraged between 190% and a maximum of 464%, when calculated to the nearest percentile

*Combination of the "Reverse Repurchase Agreement" and "Short Basket Swap" models*

Where the Fund utilises a combination of the *"Reverse Repurchase Agreement"* model and the *"Short Basket Swap"* model, the actual level of leverage at any given time will vary according to the degree to which the Fund is invested in each of the respective models at such time. Accordingly, the Fund may be leveraged between 100% and a maximum of 464% at any given time.

**B. Leverage calculated under the commitment approach**

As stated above, leverage calculated as the sum of the notionals of all FDI held by the Fund assumes that all FDI positions held by the Fund are "leveraged" positions, irrespective of netting or hedging arrangements and even if such FDI positions do not actually create any incremental market exposure for the Fund. Whilst the *sum of the notionals approach* is the method pursuant to which the leverage of the Fund shall be calculated, it is permitted that the disclosure of leverage under the *sum of the notionals approach* be supplemented with a disclosure of leverage based on the *commitment approach*. Accordingly, we have included the disclosures below for supplementary informational purposes only.

*Leverage* calculated pursuant to the commitment approach is calculated by converting the FDI positions held by the Fund into the market value of equivalent positions in the underlying assets of those FDI, except that it only takes into account the FDI positions that provide *incremental* market exposure for the Fund.

As stated in the Prospectus, the Fund uses the Long Index Swaps to track the performance of the Index on a one-to-one basis. If the Index did not contain any leverage features giving rise to incremental market exposure, then the Long Index Swaps could be ignored for the purposes of determining leverage pursuant to the commitment approach. However, as the Index tracked by the Fund incorporates leverage features, the resulting incremental market exposure to the Index Future must be taken into account in determining leverage pursuant to the commitment approach. The term *"leverage"* in the context of the Index refers to the incremental market exposure to the Index Future arising as a result of the leverage features of the Index methodology as compared with an unleveraged investment directly in the Index Future. It is determined by converting the Index into the market value of an equivalent position in the underlying instruments referenced by the Index (i.e. an equivalent position in the Index Future). Accordingly, the Index may have an incremental *leveraged* exposure to the Index Future of between 0% and 254% at any given time. Please refer to the heading entitled *"Leverage features"* in Section C of the *"Index Description"* section above for further information regarding the leverage features of the Index.

Accordingly, pursuant to the commitment approach, the Fund may be leveraged between 0% and a maximum of 254% at any given time through its tracking of the Index.

Neither of the arrangements described under the heading entitled *"Unfunded OTC Swap Model"* in the Prospectus create any incremental market exposure or leverage for the Fund and are, accordingly, permitted to be excluded from the calculation of leverage pursuant to the commitment approach.

# RISK FACTORS

Investors are specifically referred both to the section headed *"Risk Factors"* and to Schedule II in the Prospectus and should consider the following risk factors prior to investing in the Fund.

**1. Performance risk for the Fund versus the Index**

**Whilst, on any given day, the Index is designed to maintain a protected "floor" of 80% of its highest value in the previous 12-month period, the Net Asset Value of the Fund itself may decline below 80% of its highest value in such 12-month period (i.e. may lose more than 20%) due to the impact of the TER and other expenses described in the *"Fees and Expenses"* section of the Prospectus which are charged to the Fund, but which do not affect the Index.**

**Such fees and expenses include, but are not limited to, the TER and the brokerage or other expenses of acquiring and disposing of Investments including any periodic fee payable to a counterparty under the terms of the "unfunded" OTC Swaps and any custodial transaction charges charged by the Depositary. For the avoidance of doubt, the fee payable to an OTC Swap counterparty is to reflect its cost of providing exposure to the Index including any fees payable to the Index Provider by the counterparty to access the Index data.**

**As described under the heading *"Total return"* in the *"Index Description"* section above, the Index sets its effective interest rate to 0% during any period where the Euro Overnight Index Average (EONIA) is negative. Although the Index is not negatively impacted during such periods, the Fund will experience an incremental increase in costs payable to the counterparty under the OTC Swaps equivalent to the difference between 0% and the actual EONIA rate.**

**Accordingly, where the Index declines as far as the protected "floor" of 80% of its highest value in the previous 12-month period, the Net Asset Value of the Fund itself should be expected to decline below 80% of its highest value in such 12-month period as a result of the above-mentioned fees and expenses which are charged to the Fund.**

The difference between the performance of the Fund and the performance of the Index is referred to as the "tracking difference" and further information on the factors which give rise to tracking difference can be found under the heading *"Tracking error"* on page 29 of the Prospectus.

Please also refer to the risk factor entitled *"Index tracking-related risks"* on page 78 of the Prospectus.

**2. Risks associated with exposure and leverage within the Index**

The Index should not be expected to perform in line with the Index Future (or the Underlying Market which the Index Future references) due to the risk management and leverage features comprised within the Index which may cause the Index to have an exposure of between 0% and 354% to the Index Future at any given time.

Additionally, the risk management features of the Index may be a source of negative performance when compared with the performance of the Index Future which is not subject to such risk management features.

In particular, the Index may have a reduced exposure to the Index Future following a period of decline in the market value of the Index Future or during a period of heightened volatility in the market value of the Index Future. If either such period is followed by a period of positive performance in the Index Future, the Index may underperform the Index Future due to the fact that it has a decreased exposure to the Index Future (i.e. the ability of the Index to participate in the positive performance of the Index Future may be diminished due to its decreased exposure to the Index Future).

Conversely, during a period of low volatility in the market value of the Index Future, the Index may increase its exposure to the Index Future and it is possible for the Index to have an incremental "leveraged" exposure of up to 254% to the Index Future (i.e. a total exposure of up to 354%). If a period of low volatility is followed by a decline in the market value of the Index Future, the Index may underperform the Index Future due to the fact that it has an increased exposure to the Index Future (i.e. the Index would have a greater participation in the negative performance of the Index Future due to its increased exposure to the Index Future). Accordingly, it is possible for the value of the Index to fall significantly faster than the value of the Index Future, however, the possible decline in the value of the Index is always limited to 20% from its highest value in any rolling 12-month period as a result of the protection "floor" described in Step 4 of Section B of the *"Index Description"* section above.

**3. Index objectives**

The Index has been constructed based on certain assumptions (including observations, empirical trends and correlations) which may not be realised in the future and which may negatively affect the performance of the Index and the Net Asset Value of the Fund in the future.

# THE SHARES

As at the date of this Fund Supplement, the Fund only has a single class of Shares which are ETF Shares as detailed in the table below. Additional classes of Shares may be added in the future in accordance with the requirements of the Central Bank.

Shares are freely transferable subject to and in accordance with the provisions of the Articles and as set out in the Prospectus.

As with other Irish companies limited by shares, the Company is required to maintain a register of Shareholders. ETF Shares will be held by the Common Depository's Nominee (as registered holder) in registered form. Only persons appearing on the register of Shareholders (i.e. the Common Depository's Nominee) will be a Shareholder. Fractional Shares will not be issued. No temporary documents of title or Share certificates will be issued (save for the Global Share Certificate, as set out in the Prospectus). A trade confirmation will be sent by the Administrator to the Authorised Participants.

| Share Class | Share Class Type | Minimum Subscription / Redemption Amount | TER* | Dividend policy |
|---|---|---|---|---|
| EUR Accumulating ETF | ETF Shares | 10 Shares | 0.19% | N/A |

*Expressed as a % per annum of the Net Asset Value of the Share class.

# STOCK EXCHANGE LISTINGS

Application has been made to the stock exchange(s) listed below for the admission to trading of the specified classes of ETF Shares. Applications for the admission to additional stock exchanges of existing and new classes of ETF Shares may be made from time to time.

| Share Class | Share Class Type | Listing Exchange | Listing Currency | ISIN | Bloomberg code | Reuters code |
|---|---|---|---|---|---|---|
| EUR Accumulating ETF | ETF Shares | London Stock Exchange | EUR | IE00BD87PN14 | FLRD LN | FLRD.L |

# ISSUE OF SHARES

| Share class | Initial Offer Period | Initial Offer Price |
|---|---|---|
| EUR Accumulating ETF | The continuing initial offer period shall end at 4:00 p.m. (UK time) on 20 October 2020 or such other time as the Directors may determine.<br><br>Initial applications for Shares in the Fund must be received during the Initial Offer Period. | The Initial Offer Price per Share will be approximately 12,900% of the value of the Index calculated as at its Valuation Point following the close of the Initial Offer Period. The Initial Offer Price per Share is expected to be approximately EUR 100,000. However, the actual Initial Offer Price per Share will vary from this estimated amount depending on movements in the value of the Index following the closure of the Initial Offer Period. Details of the Initial Offer Price will be available from the Administrator and on http://www.lgimetf.com. |

# DEALING PROCEDURES

The procedures for subscribing for and redeeming of Shares are outlined in the Prospectus. Subscriptions and redemptions in the Fund may be made in cash only.

During the Initial Offer Period, Shares may be subscribed for in the manner set out in the Prospectus under the heading *"Subscriptions"*, beginning on page 55.

Following the Initial Offer Period, Shares in the Fund may be redeemed as described in the Prospectus under the heading *"Redemptions"* beginning on page 63.

# DEALING INFORMATION

| | |
|---|---|
| Base Currency | EUR |
| Dealing Currency | The dealing currency for each class of Shares is the currency of denomination of the relevant class of Shares. |
| Business Day | A day on which banks and markets and exchanges are open for business in the United Kingdom. |
| Dealing Day | An Index Publication Day and a day on which no Significant Markets are closed for business or such Business Day(s) as the Directors may from time to time determine (subject to advance Shareholder notice) for dealings in the Fund provided always that there shall be at least one Dealing Day each fortnight. The Promoter maintains an online "Dealing Day Calendar" at: http://www.lgimetf.com, where advance notice of all expected Dealing Days for the Fund is published on an ongoing basis. The Dealing Day Calendar is also available on request from the Manager and from the Promoter. |
| Dealing Deadline | The cut-off time in respect of any Dealing Day for receipt of applications for subscriptions and redemptions in the Fund as shall be set out on http://www.lgimetf.com, which information shall be kept up to date. |
| Minimum Subscription Amount | Please refer to the table contained in the section above entitled *"The Shares"*. |
| Minimum Redemption Amount | Please refer to the table contained in the section above entitled *"The Shares"*. |
| Settlement Time | Settlement of subscriptions and redemptions must generally occur between one and three Business Days after the relevant Dealing Day (as prescribed by the Manager or its delegate from time to time). |
| Valuation | The Valuation Point is the time at which the value of the Index is determined.<br><br>The Fund gains exposure to the Index through the use of OTC Swaps which are valued in accordance with the relevant provisions of the Prospectus. |
| TER | Please refer to the table contained in the section above entitled *"The Shares"* for the TER applicable to each Share class.<br><br>Brokerage and extraordinary expenses are excluded from the TER – see section entitled *"Fees and Expenses"* on page 72 of the Prospectus.<br><br>Fees and expenses relating to establishment of the Fund are borne by the Manager. |

# TAXATION

A description of the taxation applicable to the Company and its investors is outlined under the heading "*Taxation*" in the Prospectus.

# INDEX DISCLAIMER

Neither Foxberry Limited, Solactive AG, nor any of their respective affiliates (collectively, the "**Index Parties**") makes any representation or warranty, express or implied, to investors in the Fund or any member of the public regarding the advisability of investing in financial products generally or in the Fund particularly or the ability of the Index or any sub-indices thereto (individually and collectively, the "**Index**") to track general market performance. The Index Parties have no obligation to take the needs or interests of the Fund or investors in the Fund into consideration in determining, composing or calculating the Index. The Index Parties have no obligation or liability in connection with the administration, marketing or trading of the Fund.

None of the Index Parties shall be liable (whether in negligence or otherwise) to any person for any error in the Index and the Index Parties are under no obligation to advise any person of any error therein. None of Index Parties nor their respective affiliates shall have any liability for any act or failure to act by any such party in connection with the calculation, adjustment or maintenance of the Index. Although each of the Index Parties will obtain information concerning the Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by any of the Index Parties or their respective affiliates as to the accuracy, completeness and timeliness of information concerning the Index, or as to the continuance of calculation or publication of the Index.

The Fund is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Index and/or Index trade mark or the Index price at any time or in any other respect. The Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Index is calculated correctly. Irrespective of its obligations towards the Company, Solactive AG has no obligation to point out errors in the Index to third parties including but not limited to investors and/or financial intermediaries of the Fund. Neither publication of the Index by Solactive AG nor the licensing of the Index or Index trade mark for the purpose of use in connection with the Fund constitutes a recommendation by Solactive AG to invest capital in the Fund nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in this financial instrument.

"DAX" is a registered trademark of Deutsche Börse AG (the "Index Trademark"). The Fund is neither sponsored nor promoted, distributed or in any other manner supported by Deutsche Börse AG. Neither the publication of the DAX index by Deutsche Börse AG, nor the granting of a license regarding the DAX index (as well as the Index Trademark) for utilisation in connection with any securities or financial products which derive from the DAX index, represents a recommendation by Deutsche Börse AG for a capital investment or contains in any manner a warranty or opinion by Deutsche Börse AG with respect to the attractiveness on an investment in the Fund.

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