



Lyxor Asset Management Inc.

Investment Adviser Information

Form ADV Part 2A: The Brochure

This brochure provides information about the qualifications and business practices of Lyxor Asset Management Inc. If you have any questions about the contents of this brochure, please contact us at (212) 205-4100 and/or at us-lyxor-legal@lyxor.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority.

Additional information about Lyxor Asset Management Inc. is also publicly available on the SEC's website at: www.adviserinfo.sec.gov.

Lyxor Asset Management Inc. is a registered investment adviser. Registration does not imply a certain level of skill or training.

Lyxor Asset Management Inc.
1251 Avenue of the Americas, 46th Floor
New York, New York 10020
www.lyxor-us.com | (212) 205-4100
Updated: March 31, 2015

Item 2. Material Changes

Lyxor Asset Management Inc.'s last annual update to Part 2 of Form ADV was made in March 2014. Since then, we have hired a new Chief Executive Officer, General Counsel and Chief Compliance Officer and have undertaken an overall review of the brochure. As part of that review we have re-written the brochure in a manner that we believe is more concise and direct and more reflective of our current advisory business.

Item 3. Table of Contents

1. Cover Page	1
2. Material Changes	2
3. Table of Contents	2
4. Advisory Business	3
5. Fees and Compensation	5
6. Performance-Based Fees and Side-By-Side Management	7
7. Types of Clients	7
8. Methods of Analysis, Investment Strategies and Risk of Loss	8
9. Disciplinary Information	9
10. Other Financial Industry Activities and Affiliations	9
11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	15
12. Brokerage Practices	16
13. Review of Accounts	18
14. Client Referrals and Other Compensation	20
15. Custody	20
16. Investment Discretion	20
17. Voting Client Securities	21
18. Financial Information	22
Additional Items.....	22

Item 4. Advisory Business

Lyxor Asset Management Inc. (hereinafter referred to as “**Lyxor US**,” “**Firm**,” “**we**,” “**us**,” or “**our**”), a Delaware corporation, was formed on September 7, 1999 under the name “SG Cowen Asset Management Inc.” We changed our name to “SG Asset Management Inc.” on May 23, 2002 and registered with the SEC as an investment adviser on August 2, 2002. Effective September 1, 2009, due to an internal reorganization within the Société Générale group, we became an indirect wholly-owned subsidiary of Lyxor Asset Management S.A.S. (previously Lyxor Asset Management S.A., “**Lyxor S.A.S.**”), a French portfolio management company, and changed our name to Lyxor Asset Management Inc. Lyxor S.A.S. wholly-owns Lyxor Asset Management Holding Corporation, a Delaware corporation that wholly-owns Lyxor US. Lyxor S.A.S. is a wholly-owned subsidiary of Société Générale S.A., a French banking organization formed in 1864.

Our investment advisory business is comprised of investment management services for advisory clients, which include, among others, (i) a U.S. pension plan (the “**U.S. Pension Fund**”) for whom we serve as investment adviser on a non-discretionary basis and (ii) a non-U.S. institutional client for whom Lyxor S.A.S. serves as investment manager on a discretionary basis and, pursuant to agreements in place between Lyxor S.A.S. and us, we serve as sub-investment manager on a non-discretionary basis with respect to the assets of such client (the “**Non-U.S. Account**,” and, together with the U.S. Pension Fund, the “**Institutional Clients**”).¹ In addition, we act as “Manager,” “Sub-Manager” or “Sponsor” of non-U.S. private investment funds (“**Trading Adviser Funds**”) sub-advised by unaffiliated third-party investment managers (“**Trading Advisers**”). We also provide investment management services to a Delaware, United States series limited liability company formed as a private fund-of-funds (the “**Liquidating Fund**”) for which we serve as manager with respect to the liquidation of its assets.

The Institutional Clients, the Trading Adviser Funds and the Liquidating Fund are our advisory clients and are collectively referred to herein as “**Clients**” and each, a “**Client**.”

Our investment management services on behalf of our Clients include, (i) portfolio management services for Institutional Clients, which may include recommending (x) Trading Adviser Funds and/or (y) other private investment funds (collectively with Trading Adviser Funds, “**Third-Party Adviser Funds**”) advised by unaffiliated third-party investment managers (collectively with Trading Advisers, “**Third-Party Advisers**”), (ii) with respect to the Trading Adviser Funds, (x) selection and oversight of Trading Advisers and (y) cash management (as described in Item 16 below) and risk oversight services, and (iii) with respect to the Liquidating Fund, liquidating its assets and managing its side-pocketed investments.

¹ With regard to the Non-U.S. Account, we make investment decisions and allocations which are approved by Lyxor S.A.S. prior to implementation and our investment activities are subject to the supervision, monitoring and control of Lyxor S.A.S. We hold annual meetings with the Non-U.S. Account and provide account statements directly to the Non-U.S. Account.

Trading Adviser Funds

As noted above, we serve as the “Manager,” “Sub-Manager” or “Sponsor” for non-U.S. private funds for which we have delegated discretionary investment authority to a Trading Adviser. We retain management (or sub-management) and certain other responsibilities (including cash management and risk oversight) with respect to the Trading Adviser Funds. The Trading Advisers will often have broad investment authority over the Trading Adviser Funds (subject to certain rights of Lyxor US), and are typically tasked with implementing a strategy for such fund which is similar to another fund already managed by such Trading Adviser. The Trading Advisers, with respect to the Trading Adviser Funds, typically utilize one or more alternative investment strategies. Such strategies, and the instruments used by such Trading Advisers for the relevant fund, are more robustly described in the offering document for such fund. See Item 8. Trading Adviser Funds may accept subscriptions from multiple investors or may be dedicated funds to a single investor.

Institutional Clients

In our non-discretionary Client relationships with our Institutional Clients, we only recommend to the Institutional Clients investments in Third-Party Adviser Funds. Institutional Clients may impose investment restrictions and risk guidelines on the advice we provide, including, without limitation, the type and quantity of Third-Party Adviser Funds that reside in their respective portfolios.

U.S. Pension Plan

We provide non-discretionary investment advisory services to the U.S. Pension Plan pursuant to an agreement with the U.S. Pension Fund. Our recommendations to the U.S. Pension Plan are with respect to accounts owned by the U.S. Pension Plan that invest in global macro strategies and involve, among other things, assisting the U.S. Pension Plan in developing portfolio guidelines and portfolio construction and identifying and recommending prospective investment opportunities with Trading Advisers, subject to the approval of the U.S. Pension Plan.

Non-U.S. Account

We also provide non-discretionary investment management services to several portfolios of the Non-U.S. Account. Lyxor S.A.S. has been granted discretionary trading authority over the Non-U.S. Account's assets, and has appointed us as sub-investment manager on a non-discretionary basis with respect to such assets. As part of our non-discretionary trading responsibilities, we recommend to the Non-U.S. Account investments in private investment funds advised by unaffiliated third-party investment managers, subject to the approval of Lyxor S.A.S.

Although we do not currently do so, we may in the future provide discretionary management services to other Institutional Clients. Discretionary management will allow us to buy and sell

securities or hire Trading Advisers, in light of such Client's investment objectives, without having to obtain such Client's consent for each transaction.

Assets Under Management

As of December 31, 2014, Lyxor US' assets under management were \$5,019,633,071, of which \$2,566,935,363 were managed on a discretionary basis and \$2,452,697,708 were managed on a non-discretionary basis.

Item 5. Fees and Compensation

We are compensated for our advisory services by receiving a percentage of assets under management and performance-based fees and allocations. We have not implemented a basic fee schedule that uniformly applies to all of our investment products or Clients. Instead, fees depend on the nature of the particular investment product or program to be undertaken on behalf of each Client.

Trading Adviser Funds

Each investor that invests in a Trading Adviser Fund is subject to an administrative or management fee of up to .35% ("**Management Fee**") calculated as a percentage of such Client's assets under management in such fund. Management Fees payable by the Trading Adviser Funds will generally be payable in arrears and deducted directly from the Trading Adviser Fund. Lyxor US does not receive any Management Fees from Trading Adviser Funds with respect to investors that are not Lyxor US Clients.

In addition, the Trading Adviser Funds are charged trading advisory fees (calculated as a percentage of assets) and performance fees (generally calculated as a percentage of any new capital appreciation on assets), if applicable. Such trading advisory fees and performance fees are payable to the Trading Advisers and Lyxor US does not share in such fees.

Fees charged with respect to an investment in each respective Trading Adviser Fund will be set forth in more detail in such Trading Adviser Fund's offering documents, which should be reviewed carefully by Institutional Clients.

U.S. Pension Plan

The U.S. Pension Plan is charged a consulting fee (the "**Consulting Fee**") calculated as a percentage of assets ranging between .15% to .225% per annum of the assets we manage for the U.S. Pension Plan that are invested in Third-Party Adviser Funds. The Consulting Fee is calculated monthly and generally payable in arrears at the end of each quarter. Consulting Fees are invoiced and not deducted directly from the U.S. Pension Plan's account. Lyxor US does not receive Consulting Fees or any other fees for assets of the U.S. Pension Plan not invested in Third-Party Adviser Funds.

Non-U.S. Account

Each portfolio of the Non-U.S. Account pays to Lyxor S.A.S. a management fee equal to .75% per annum of the assets managed by Lyxor S.A.S. with respect to each such portfolio. Pursuant to a transfer pricing agreement between Lyxor S.A.S. and Lyxor U.S., Lyxor S.A.S. pays half of such fees to Lyxor U.S. for its sub-investment management services to the Non-U.S. Account, save for a charge for certain support services provided by Lyxor S.A.S. to Lyxor U.S. Such management fees are generally payable in arrears at the end of each quarter. The remaining half of such fees are paid to a third-party unaffiliated investment manager that introduced the Non-U.S. Account to Lyxor U.S. and Lyxor S.A.S. and that provides certain ongoing investor relations and shareholder services to the Non-U.S. Account.

In addition, Lyxor US receives, through a transfer pricing agreement with Lyxor S.A.S., a performance fee ("**Performance Fee**"), generally calculated as a percentage of any new capital appreciation on assets of each portfolio of the Non-U.S. Account for which Lyxor US serves as sub-manager. The Performance Fee is equal to 5% per annum of the aggregate increase in the net asset value of the relevant portfolio (after deduction of management fees and adjustment for capital contributions and withdrawals), subject to a high water mark. Therefore, the Non-U.S. Account may pay a Performance Fee in respect of a portfolio when the other of its portfolios have suffered losses for the relevant period. The Performance Fee is payable quarterly in arrears and is not shared with Lyxor S.A.S.

Performance Fees, if any, are generally payable (i) upon the Non-U.S. Account's withdrawal of its investment from a private fund with respect to the withdrawn amount, and (ii) at the end of a performance period (which may vary by private fund), with respect to the performance of the Non-U.S. Account's investment during such performance period. The Performance Fees will be calculated based on the net asset value of the relevant private fund and will be based on unrealized as well as realized appreciation of assets.

Fees charged to the Non-U.S. Account are invoiced and not deducted directly.

We may agree to fee structures in respect of individual investors in Trading Adviser Funds or other institutional investors that differ from those described above on a case-by-case basis.

Expenses

In addition to the various fees we receive from Clients as described above, Clients may pay, or be subject to, various brokerage and custodial fees, as well as other operating expenses, including, without limitation, legal, auditing, accounting and other professional expenses, administration expenses, research-related expenses and director's expenses. Clients should review the offering documents for the relevant Trading Adviser Funds for further information regarding fees and expenses. The Non-U.S. Account may contact us if it would like to receive additional information about such fees and expenses.

Funds Advised by Our Affiliates

Certain of our employees are also employees of SG Americas Securities, LLC, an affiliated registered broker-dealer ("**SGAS**"). In their capacity as employees of SGAS, such employees

solicit investors to invest in private funds managed or advised by Lyxor S.A.S. As of the date of this brochure, such employees do not get compensated for any recommendations of such private funds to investors.

Item 6. Performance-Based Fees and Side-by-Side Management

As stated in the “Fees and Compensation” section above, we charge Performance Fees which are fees based on a share of capital gains on or capital appreciation of the Non-U.S. Account’s assets that are invested in a private fund. The fact that we are compensated based on trading profits may create an incentive for us to recommend private funds whose investments are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance fees we receive are based primarily on realized and unrealized gains and losses. As a result, the performance fees we earn could be based on unrealized gains that Institutional Clients may never realize. In addition, because we receive a Performance Fee from the Non-U.S. Account assets and not the U.S. Pension Plan assets, we may have an incentive to recommend private funds to the Non-U.S. Account and not the U.S. Pension Plan. However, the Non-U.S. Account and the U.S. Pension Fund generally do not invest in the same private funds. In circumstances where investments in the same private funds are made, Lyxor US has developed policies regarding allocations to the Non-U.S. Account and the U.S. Pension Fund. See Item 10.

In addition, we receive a Management Fee and a Consulting Fee with respect to investments by the U.S. Pension Plan in Trading Adviser Funds, and we receive only a Consulting Fee with respect to investments by the U.S. Pension Plan in other Third-Party Adviser Funds. Therefore, we have an incentive to recommend to the U.S. Pension Plan investments in Trading Adviser Funds and not other Third-Party Adviser Funds. This conflict is mitigated by the fact that we do not have discretionary authority with respect to the assets of the U.S. Pension Plan. The U.S. Pension Plan must approve our investment recommendations and is aware of the dual-level fees it pays with respect to an investment in a Trading Adviser Fund. We may in the future accept new client accounts that pay less in fees than any or all Clients. We may have an incentive to allocate investment opportunities to higher fee paying Clients. We owe fiduciary duties to each of our clients to act for the benefit of such client and will in all of our dealings take these fiduciary duties into account.

For more information, please see our response above to Item 5 “Fees and Compensation.”

Item 7. Types of Clients

We provide investment advice to Trading Adviser Funds, Institutional Clients the Liquidating Fund. For more information, please see Item 4.

Requirements for Opening or Maintaining Accounts

We do not impose minimum initial investments for an institutional investor account. However, we reserve the right to reject any institutional investor accounts.

The offering documents for each specific Trading Adviser Fund contain detailed information

concerning the relevant minimum initial and additional investment requirements. Subscriptions will be accepted only from persons who qualify as eligible investors within the meaning of applicable U.S. federal and state securities regulations.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies and Methods of Analysis

Institutional Clients

With respect to Institutional Clients we utilize a “customized portfolio” approach, where we recommend investments in Third-Party Adviser Funds, including, without limitation, Trading Adviser Funds for which we act as manager, sub-manager or sponsor, based on the Client’s particular investment objective. We identify Third-Party Advisers through various industry channels, including, without limitation, attendance at capital introduction conferences, Bloomberg lists, hedge fund alerts and discussions with industry participants. Our significant methods of analysis in selecting Third-Party Advisers for recommendation to Institutional Clients include fundamental and cyclical analysis. In addition, we evaluate prospective Third-Party Advisers by considering, to the extent such information is available, a variety of different factors, including, without limitation: education, experience and background of key personnel, risk management techniques employed, operational capabilities, risk/reward attributes of each Third-Party Adviser’s strategy, portfolio composition, information obtained through personal interviews and literature, as well as political, market and economic factors.

Trading Adviser Funds

With respect to Trading Adviser Funds, we are responsible for cash management and risk oversight. We delegate other investment advisory responsibilities to the Trading Adviser who trades the assets of the relevant Trading Adviser Fund in accordance with a trading program it has developed. Specifically, each Trading Adviser is tasked with trading for the relevant Trading Adviser Fund in a manner that is generally similar to a fund already managed by such Trading Advisor, and utilizing a similar strategy. Such strategies include, without limitation: long/short equities, emerging markets, distressed securities, market neutral, commodities and futures, event driven and global macro. The Trading Advisers may implement their investment strategies through investing in securities, derivatives and other instruments.

General Risks

Investing in securities involves risk of loss that Clients should be prepared to bear. Below we describe some of these risks.

Institutional Clients

Institutional Clients should be aware that any investment in (a) a portfolio recommended by Lyxor US and (b) in any Third-Party Adviser Funds is subject to significant risks, including total loss of capital. Institutional Clients should consider the following risk factors with respect to Lyxor US’s recommendation of Third-Party Adviser Funds when making their investment

decisions:

- **No Guarantee that Investment Objectives will be Achieved; No Guarantee Against Loss.** No assurance can be given that an Institutional Client will achieve its overall investment objectives. There can be no assurance that Lyxor US will be able to recommend investments to the Institutional Client account in a manner that is profitable, and there is no guarantee against loss of the account assets. All Clients may lose some or all of their investment.
- **Reliance on Lyxor US and the Third-Party Advisers.** The success of the Institutional Client's account is dependent on the judgment and abilities of Lyxor US in selecting and monitoring the performance of Third-Party Adviser Funds and on the ability of the Third-Party Advisers to generate positive performance. Institutional Clients usually do not have the opportunity to evaluate fully the relevant economic, financial, and other information regarding their account's investments. Institutional Clients are dependent on the judgment and abilities of Lyxor US and the Third-Party Adviser funds it recommends. There is no assurance that Lyxor US or the Third-Party Advisers will be successful.
- **Past Performance Not Indicative of Future Performance.** The past performance of Lyxor US or any funds managed by Lyxor US or its affiliates, or Third-Party Advisers or any funds managed by Third-Party Advisers, is not necessarily indicative of future results of an Institutional Client's investment.
- **Lack of Diversification.** An Institutional Client's account might not be diversified. The account may have periods where it is invested in none, one, or only a few Third-Party Adviser funds or investment strategies. In addition, the funds in which the Institutional Client's account is invested might themselves not be diversified and, instead, may be concentrated in one or a small number of markets, sectors, strategies, currencies, instruments, jurisdictions or issuers. A concentration of risk may make the Institutional Client's account more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular market, sector, currency, instrument, jurisdiction or issuer, and may expose the account to losses disproportionate to those that it might have incurred if the account maintained a greater level of diversification.
- **Monitoring Third-Party Advisers.** Lyxor US must ultimately rely on each Third-Party Adviser to operate in accordance with the investment strategy and guidelines laid out by such Third-Party Adviser, or, in respect of Trading Adviser Funds, as agreed to with such Trading Adviser. If a Third-Party Adviser does not operate in accordance with its investment strategy or guidelines, the Institutional Client's account may sustain losses with respect to some or all of its investments despite Lyxor US's attempt to monitor the investment. The Third-Party Advisers will not coordinate their investment strategies with each other and at times may take positions which are the same as, or opposite from, positions taken by other Third-Party Advisers. Doing so may cause concentration of investments for an Institutional Client, cancelling out of positions between Third-Party Adviser Funds in which an Institutional Client is invested, and/or additional fees and

expenses borne by an Institutional Client.

- **Investments in Funds.** Investments in private funds managed by Third-Party Advisers are highly speculative and may be highly volatile. There are significant restrictions on transferability and withdrawals of shares/interests in such funds. Some of the funds may have limited or no trading and operating history. Third-Party Advisers may use investment strategies and financial instruments that, while affording the opportunity to generate positive returns, also provide the opportunity for increased volatility and significant risk of loss.

Institutional Clients should consult their legal and tax advisers before making an investment decision. We encourage Institutional Clients to contact us with any questions they may have regarding an investment we recommend.

Trading Adviser Funds

The risks set forth below are with respect to the investment strategies of one or more Trading Adviser Funds and are not a complete explanation of all the risks involved in investments in a Trading Adviser Fund. In addition, an investment in one Trading Adviser Fund does not necessarily entail exposure to all of the risks listed below. We urge Institutional Clients to carefully review the offering documents for any Trading Adviser Fund into which they wish to invest for a description of the strategy, business and other general risks specific to such Trading Adviser Fund.

- **Equities.** A Trading Adviser Fund may invest a portion of its assets in equity securities. While the Trading Adviser may believe investing in equity securities provides attractive trading opportunities, many factors could adversely impact the value of such equity securities and cause the Trading Advisor Fund to suffer losses. Among the factors that may affect the value of equity securities are developments with respect to a particular issuer; changes within a particular industry or geographic region; social, economic and political uncertainty; terrorism and related geopolitical events and other circumstances that are out of the control of the Trading Adviser Fund. Different types of equity securities may be impacted differently by the occurrence of such events. For example, large cap stocks can react differently from small cap stocks, and “growth” stocks can react differently from “value” stocks. These events may cause both short-term market volatility and long-term effects on markets generally.
- **Futures and Options Trading.** A Trading Adviser Fund may engage in futures and options trading. Futures and options trading is risky and may be volatile. Such volatility may lead to substantial risks which may be larger than in the case of equity or fixed-income investments. Price movements for futures are influenced by, among other things: changing supply and demand relationships; weather; agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments; macro political and economic events and policies; changes in national and international interest rates and rates of inflation; currency devaluations and revaluations; and emotions of other market participants. None of these factors can be controlled by Lyxor US, the Trading Adviser or

the Trading Adviser Fund and no assurance can be given that the Trading Adviser's advice will result in profitable trades for the Trading Adviser Fund or that the Trading Adviser Fund will not incur substantial losses.

- **Use of Leverage.** A Trading Adviser Fund may use leverage as a part of its strategy. Leverage may involve borrowing assets to increase investment exposure. In addition, the Trading Advisor Fund may invest in derivatives which are leveraged. Leverage increases the exposure that the Trading Advisor Fund may have to a specific instrument and, should the value of that instrument move in a direction adverse to the fund, will result in greater losses than would otherwise have been the case had the Trading Adviser Fund not used leverage. In addition, the Trading Advisor Fund will pay for any leverage it uses and, therefore, if the investment fails to earn a return that equals or exceeds the Trading Adviser Fund's cost of leverage, the relevant position will result in a loss to the fund.
- **Distressed Securities.** A Trading Adviser Fund may invest in distressed securities, including loans, bonds and notes of companies that are in financial distress and that may be in or about to enter bankruptcy. Many distressed securities are not publicly traded and may involve a substantial degree of risk. In certain periods, there may be little or no liquidity in the markets for these securities or instruments. In addition, the prices of such securities may be subject to periods of abrupt and erratic market movements and above-average price volatility. It may be more difficult to value such securities and the spread between the bid and asked prices of such securities may be greater than normally expected. If the Trading Adviser's evaluation of the risks and anticipated outcome of an investment in a distressed security should prove incorrect, the Trading Adviser Fund may lose a substantial portion or all of its investment or it may be required to accept cash or securities with a value less than the original investment.
- **Special Situations.** A Trading Adviser Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction or situation either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Trading Adviser Fund of the security or other financial instrument in respect of which such distribution is received. In any such case, the Trading Adviser Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of such special situations, there is a potential risk of loss by the Trading Adviser Fund of its entire investment in such companies.
- **Short Selling.** A Trading Adviser Fund may engage in the short selling of securities. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the fund's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There

can be no assurance that securities necessary to cover a short position will be available for purchase because of trading activity in the market and/or market regulation. Additionally, certain market participants could accumulate such securities in a “short squeeze,” which would reduce the available supply, and thus increase the cost, of such securities. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing the loss incurred by a Trading Adviser Fund. Furthermore, a Trading Adviser Fund may prematurely be forced to close out a short position if a counterparty from which such fund borrowed securities demands their return, resulting in a loss on what might otherwise have been ultimately a profitable position.

- **Relative Value Strategy Risk.** A Trading Adviser Fund may pursue relative value strategies by taking long positions in securities believed by the Trading Adviser to be undervalued and short positions in securities believed by the Trading Adviser to be overvalued. In the event that the perceived timings and/or mispricings underlying the Trading Adviser Fund's trading positions were incorrect, the Trading Adviser Fund may incur a loss.
- **Arbitrage Transaction Risks.** Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, statistical arbitrage, debt spread arbitrage and index arbitrage. A Trading Adviser may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected elements, events or price movements intervene, losses can occur which can be magnified to the extent a Trading Adviser Fund is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads,” which can also be identified, reduced or eliminated by other market participants.
- **Non-U.S. Securities.** Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options and other derivatives on non-U.S. securities involves risks which may be greater than those involved when investing in securities of the United States government or United States companies. These risks may include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.
- **Interest Rate Risk.** A Trading Adviser Fund may be subject to interest rate risk. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Conversely, as interest rates fall, the market value of fixed income

instruments tends to increase. This risk will be greater for long-term securities than for short-term securities. The Trading Adviser Fund may (depending on the investment objectives and restrictions applicable to the fund) attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Trading Adviser will be successful in fully mitigating the impact of interest rate changes on the portfolios.

- **Options.** A Trading Adviser Fund may buy or sell options. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time (or times) or during a certain period. Purchasing options involves the risk that the underlying instrument's price will not change in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the seller is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk. The pricing of options involves a wide variety of factors, including the variability of interest rates, the time to expiration, the price of the underlying asset, the volatility of the underlying and general market sentiment. Not only will different traders differ among themselves concerning the correct theoretical value for a given option, but also actual and theoretical values may diverge for extended periods of time. There can be no assurance that the Trading Adviser will correctly value the Trading Adviser Fund's options positions; consequently, substantial losses could be incurred by the Trading Adviser Fund.
- **Swap Agreements.** A Trading Adviser Fund may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Trading Adviser Fund's exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. A Trading Adviser Fund may not be limited to any particular form of swap agreement if consistent with the fund's investment restrictions.

Swap agreements tend to shift a Trading Adviser Fund's investment exposure from one type of investment to another. For example, if a Trading Adviser Fund agrees to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease such fund's exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a Trading Adviser Fund's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from a Trading Adviser Fund. If a

swap agreement calls for payments by a Trading Adviser Fund, such fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Trading Adviser Fund.

- **Derivative Instruments.** A Trading Adviser Fund may make use of swaps, options (each as described above) and other forms of derivative contracts. In general, a derivative contract typically involves leverage, *i.e.*, it provides exposure to potential gain or loss from a change in the level of the market price of a security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the relevant price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in the derivative contract. Many derivatives instruments also involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty. These transactions are also expected to involve significant transaction costs.
- **Risk of Loss Due to the Bankruptcy or Failure of Counterparties, Brokers and Exchanges.** A Trading Adviser Fund is subject to the risk of the insolvency of its counterparties (such as, but not limited to, broker-dealers, futures commission merchants, banks or other financial institutions, exchanges or clearinghouses). The Trading Adviser Fund's capital could be lost or impounded during a counterparty's bankruptcy or insolvency proceedings and a substantial portion or all of the Trading Adviser Fund's assets may become unavailable to it either permanently or for a matter of years. Were any such bankruptcy or insolvency to occur, the Trading Adviser might decide to liquidate the Trading Adviser Fund or suspend, limit or otherwise alter trading, perhaps causing the Trading Adviser Fund to miss significant profit opportunities.
- **Currency Risks.** A Trading Adviser Fund's investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies and political developments.
- **Corporate Debt Obligations.** A Trading Adviser Fund may invest in corporate debt obligations, including commercial paper. Corporate debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk). As such, Trading Adviser Funds may lose some or all of their investment in corporate debt obligations.
- **High Yield Securities.** A Trading Adviser Fund may invest in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories may be subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with

respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Item 9. Disciplinary Information

Except as set forth below, neither Lyxor US nor any of its management persons has any disciplinary or legal events to report.

In connection with an SEC settlement entered into by SGAS on February 13, 2009, Francois Barthelemy, a director of Lyxor US, was suspended from acting in a supervisory capacity for any broker or dealer for a period of three months for failure to reasonably supervise a former managing director of SGAS's former affiliate, SG Cowen Securities Corp. In addition, Mr. Barthelemy paid a fine of \$50,000.

Item 10. Other Financial Industry Activities and Affiliations

Certain of Lyxor US's employees are registered with the NFA as associated persons ("**Associated Persons**"). We are registered with the National Futures Association as a commodity pool operator. We operate the Trading Adviser Funds in reliance on exemptions available under CFTC Rule 4.7.

We have arrangements that are material to our advisory business and/or our Clients with the following related persons:

- Broker-dealer and Futures Commission Merchant ("**FCM**"): SGAS and certain of its affiliates serve as broker-dealers and/or FCMs to certain Third-Party Adviser Funds. See Item 5 above and Item 12 below.
- Other investment advisers: Lyxor S.A.S. is a portfolio management company organized under the laws of France. In reliance on a series of SEC no-action letters, we have entered into a participating affiliate arrangement with Lyxor S.A.S. in order to utilize the resources and capabilities, including certain personnel, of Lyxor S.A.S. to provide certain research that we use on behalf of our Institutional Clients to identify and recommend Trading Advisors. In addition, Lyxor S.A.S. must approve such recommendations for one of our Institutional Clients. The participating affiliate arrangement with Lyxor S.A.S. has the practical effect of requiring certain Lyxor S.A.S. personnel to comply with the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") when Lyxor US relies upon such research in its provision of investment advisory services to Institutional Clients. It also subjects the personnel of Lyxor S.A.S. who are involved in providing such research to U.S. compliance obligations similar but not identical to the compliance

obligations that apply to Lyxor US personnel, including the obligations found in our Code of Ethics adopted pursuant to Rule 204A-1 under the Advisers Act. See Item 11 for more information. We have other advisory affiliates within the SG Group but we have no business arrangements with such affiliates. For further disclosure about such affiliates, please refer to our Form ADV Part I.

Conflicts of Interest

We are subject to conflicts of interest in managing and making investment decisions for our Clients. These conflicts could affect our objectivity and the performance and ultimate results of such decisions. We have adopted a Code of Ethics which includes policies and procedures designed to reduce the potential conflicts of interest. In addition, we owe fiduciary duties to each of our Clients to act for the benefit of such Client and will in all of our dealings take these fiduciary duties into account.

Certain investors may be permitted to invest in a Third-Party Adviser Fund on economic terms that are preferential to those applicable to other investors in such Third-Party Adviser Funds, so long as such preferential terms are not detrimental to the other investors. Other investors will not necessarily be aware of this or be able to avail themselves of these terms.

To the extent that our affiliates invest in, or on rare occasions, seed, a Third-Party Adviser Fund on terms that are more advantageous than those on which the Institutional Clients invest, Lyxor US may have an incentive to make certain recommendations to the Institutional Client in respect of such Third-Party Adviser Fund in order to obtain and/or maintain such advantageous terms for the benefit of our affiliates.

As of the date of this brochure, with respect to one Trading Adviser Fund, we act as “Sub-Manager” and our affiliate, SG Hambros Fund Managers (Jersey) Limited (“**SG Hambros**”) acts as “Manager” due to local regulations governing such Trading Adviser Fund. We may enter into such arrangements for other funds we manage in the future.

Lyxor S.A.S. manages a Third-Party Adviser Fund which we have recommended in the past to an Institutional Client. The Third-Party Adviser Fund pays management and incentive fees to Lyxor S.A.S., which pays a portion of such fees to such fund’s Third-Party Adviser. While this is not a common event, there may be additional cases where we recommend Third-Party Adviser Funds managed by Lyxor S.A.S. and our affiliates may receive fees in respect of such funds. Such an arrangement may give us an incentive to recommend or direct Institutional Client assets to such funds. The degree of conflict increases as our affiliates share in a greater percentage of the revenues earned by the Third-Party Advisers, as we or our affiliates may have an incentive to recommend or direct assets to Third-Party Advisers that share the highest percentage of fees with our affiliates. As a fiduciary and in accordance with our policies, we make recommendations we believe are in the best interests of our Clients. Such Clients will be made aware of the foregoing conflicts prior to approving any such investments.

In addition, on rare occasions, we or our affiliates may be entitled to placement fees from Third-Party Advisers (which, if received by us, would be passed on to Institutional Clients invested in funds managed by such Third-Party Advisers).

The Trading Adviser Funds may obtain services from, and pay fees as expenses to, us or our affiliates for services rendered to the Trading Adviser Funds. The Third-Party Adviser Funds may also enter into credit agreements and derivatives contracts or other arrangements with our affiliates pursuant to which our affiliates receive compensation from the Third-Party Adviser Funds.

We have a fiduciary obligation to use every reasonable effort to ensure that no Client is treated unfairly in relation to any other Client in the allocation of securities or investment opportunities. We will seek to recommend investment opportunities among Clients in a manner we believe to be as equitable as possible, considering each of our Client's objectives, programs, limits and capital available for investment. No assurance can be given that (i) particular investment opportunities recommended to one Client will not outperform investment opportunities recommended to another Client or (ii) any of the Clients will receive equal treatment.

With respect to allocation of investment opportunities, Institutional Clients may make investments in the same Third-Party Adviser Fund at the same time. If a Third-Party Adviser Fund that we have recommended in the portfolio of more than one Institutional Client is limited in its ability to accept all such Institutional Clients' capital that we would like to invest at a particular time, we will seek to allocate the limited investment capacity among the pertinent Institutional Clients in a fair manner. In making these allocation decisions, we will take into account a number of factors, including an Institutional Client's investment objectives and constraints, the amount of the investment capacity to be allocated, the percentage of an Institutional Client's portfolio that is currently invested with the Trading Adviser or with other Trading Advisers that engage in similar and/or comparable investment strategies, and whether an allocation to a particular Trading Adviser Fund will have a material impact on its overall portfolio. Application of these factors may result in different allocation decisions depending on the particular facts and circumstances in existence at the time the allocations are made and may not result in a pro rata allocation of limited investment capacity among either Institutional Clients or all Institutional Clients with similar investment objectives and constraints.

In addition, in the event an Institutional Client and any other client of Lyxor US or its affiliates invests in a fund managed by Lyxor S.A.S., allocations to each client will generally be made pro-rata, subject to certain exceptions.

Although our goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on a trade-by-trade basis, one Client will not be treated differently from another. If Lyxor US did not manage multiple Client accounts each Client individually may be able to receive or sell a greater percentage of all investments. Consequently, when multiple Clients participate in limited opportunity investments, each participating account reduces the opportunity available to other participating accounts.

As discretionary manager of the Non-U.S. Account, Lyxor S.A.S. may have a conflict allocating the investments of the Non-U.S. Account and its other clients to Third-Party Adviser Funds for which Lyxor S.A.S. does not act as manager when the Third-Party Adviser only accepts a partial fill of the intended investment.

We manage a number of Client accounts and are subject to conflicts of interest in doing so. Although our officers, key employees, consultants and principals will devote as much of their time to the Clients as they agree to, they will not devote substantially all of their time to any one Client as they must devote a portion of their time to other Clients and investments. Our officers, key employees, consultants and principals may or may not have employment or consulting agreements. The loss of the services of one or more of these employment or consulting agreements may have a material adverse effect on our ability to provide certain services to the Clients.

Records of our Client accounts will generally not be made available to Clients.

The Administrator and Transfer Agent of Certain Funds

Société Générale Securities Services, SGSS (Ireland) Limited (“**SGSS**”) (an affiliate of ours), acts as administrator and/or transfer agent for certain of the Third-Party Adviser Funds and/or funds managed by Lyxor S.A.S. that we may recommend to Clients, as well as the Liquidating Fund. Fees borne by any Clients as a result of contracts with SGSS are charged at commercially reasonable rates.

The Custodian of Certain Funds

Société Générale S.A., acting through one or more branch offices (Paris or Dublin branch), acts as the custodian for certain Third-Party Adviser Funds and/or funds managed by Lyxor S.A.S. that we may recommend to Clients, as well as the Liquidating Fund. In addition, SG Hambros Trust Company (Channel Islands) Limited serves as the custodian of a Trading Adviser Fund for which SG Hambros is the “Manager” and registrar. Each of Société Générale S.A. and SG Hambros Trust Company (Channel Islands) Limited (each, a “**Custodian**”) is an affiliate of Lyxor US. Fees borne by any Clients as a result of contracts with the Custodian are charged at commercially reasonable rates.

SG Parties

Société Générale S.A. is our ultimate parent company. In addition, Société Générale S.A. and its various subsidiaries and affiliates include banks, broker-dealers, futures commission merchants, other asset managers such as Lyxor S.A.S., insurance companies and other financial institutions (collectively, “**SG Parties**”). Certain SG Parties manage other investment funds (the “**SG Funds**”), including funds proprietary to the SG Parties that may pursue investment objectives similar to those of the Clients. SG Parties may also manage discretionary accounts, some of which may have investment objectives similar to the Clients.

The SG Parties are major participants in the global currency, equity, commodity, fixed income, derivative and other markets. As such, SG Parties and SG Funds may be actively engaged in transactions in the same securities and other instruments in which the Clients, or Third Party Advisers on behalf of Third Party Adviser Funds, may invest. SG Parties and SG Funds are not under any obligation to share any investment opportunity, idea or strategy with Clients. As a result, SG Parties and/or SG Funds may compete with, or take positions opposite of, Clients, or

engage in trading activities that are detrimental to the trading positions of Clients. The SG Parties' or the SG Funds' trading activities generally are carried out without reference to positions held by Clients and may have an effect on the value of the positions so held, or may result in SG Parties and/or SG Funds having interests or positions adverse to that of Clients. Generally, Lyxor US is not in a position to prevent the SG Parties and/or SG Funds from taking such positions. However, Lyxor US and the SG Parties and/or SG Funds do not intentionally compete with each other or take positions opposite each other.

The SG Parties may loan money to the Third-Party Adviser Funds in the form of margin loans, credit facilities or otherwise. When considering its relationship with any Third-Party Adviser Fund, personnel of an SG Party may not owe any fiduciary duty to such fund and may have considerations other than the best interests of the Third-Party Adviser Funds. In addition, situations may arise in which an SG Party believes that, to protect its own commercial interests, it may be necessary to take action with respect to a Third-Party Adviser Fund that may be detrimental to such fund.

Upon request, additional information will be provided to a Client with respect to the SG Parties and the SG Funds to the extent such information is available to us and we are permitted to provide such information. Interested Clients should contact Lyxor US's Chief Compliance Officer in writing or via telephone at (212) 205-4100.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a written Code of Ethics (the "**Code**") which includes policies and procedures designed to reduce actual and potential conflicts of interest and set up "best practices" standards to ensure that our employees ("**Employees**") place the interests of our investors above their own personal interests.

The foundation of the Code consists of the following principles:

- Employees must at all times place the interests of our Clients first;
- Employees must prevent the misuse of material non-public information and make sure that all personal investments are conducted in accordance with the Code and in such a manner as to avoid any actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility;
- Employees must adhere to the principle that information concerning Clients is confidential and, to that end, must comply with our privacy policy;
- Employees are prohibited from disseminating information with the intent to manipulate the price of a security, the stability and/or credit worthiness of an issuer or to manipulate any financial market;
- Employees should not take inappropriate advantage of their positions. The receipt of investment opportunities, perquisites or gifts from persons seeking to do business with us could call into question the exercise of an employee's independent judgment;

-
- Employees should act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients and colleagues;
 - Employees should use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions and engaging in other professional activities; and
 - Employees should practice and encourage others to practice in a professional and ethical manner.

As with all policies and procedures, our Code is designed to cover a variety of circumstances and conduct. However, no policy or procedure can anticipate every potential conflict of interest that can arise in connection with personal trading or with professional activities in general. Consequently, Employees are expected to abide not only by the letter of the Code, but also by the spirit of the Code. Whether or not a specific provision of the Code addresses a particular situation, Employees must conduct their professional activities in accordance with the general principles contained in the Code and in a manner that is designed to avoid any actual or potential conflicts of interest.

We expect Employees to conduct our affairs on an arm's length basis and not to engage in business or financial activities that may conflict with ours or our Clients. Decisions regarding our business relationship with any other person or entity must be based solely upon valid business considerations. No Employee may permit a business decision to be influenced by personal or other unrelated interests or factors.

A copy of the Code is furnished upon request to any Institutional Client, prospective client, or investor or prospective investor in a Trading Adviser Fund.

Participation or Interest in Client Transactions

We do not trade on a principal basis with our Clients. However, our brokerage affiliates may, as principal, buy securities from, or sell securities to, the Trading Adviser Funds at the direction of the Trading Advisers. Normally, when an advisory client transacts with its investment adviser or related person on a principal basis such transactions raise a number of potential conflicts of interest. In addition, Section 206(3) of the Advisers Act requires transaction-by-transaction client consent to such transactions. However, such conflicts of interest should not be present with respect to our brokerage affiliates' principal transactions with the Trading Adviser Funds because we do not act as investment adviser on such transactions and have no advance knowledge of when our brokerage affiliates transact on a principal basis with the Trading Adviser Funds. Similarly, the Section 206(3) transaction-by-transaction consent requirements do not apply where we are not advising on the principal transactions. To the extent such principal transactions occur, we will not have any knowledge as to the mechanism our affiliates use to price the securities bought from or sold to the Trading Adviser Funds.

We act as "Manager," "Sub-Manager" or "Sponsor" of the Trading Adviser Funds in which Institutional Clients are invested. See Item 6 above for potential related conflicts of interest and how they are addressed.

We or our related persons may invest in Trading Adviser Funds that we recommend to Institutional Clients. We do not believe this presents a material conflict of interest because Institutional Clients are generally not limited in their investment opportunities in the Trading Adviser Funds.

In addition, please see “Conflicts of Interest” in Item 10 (“Other Financial Industry Activities and Affiliations”) for additional information about our participation or interest in Client transactions.

Personal Trading

Our Code addresses Employees’ personal trading activities. Specifically, it requires that Employees report their personal securities holdings and transactions to the Compliance Department. Employees must obtain pre-approval from the Compliance Department prior to executing any transactions in a covered security, such as equities, options, futures and certain debt instruments, as well as obtain pre-approval prior to participating in any private securities transaction. Our Code also covers the following topics: insider trading, conflicts of interest, political activities and contributions, participation in private securities transactions, privacy policy and outside business activities. Our officers and Employees may from time to time serve as members of the boards of public and non-public companies. They must obtain the approval of our Compliance Department prior to accepting such role.

Certain employees of Lyxor S.A.S. that are subject to the participating affiliates arrangement between Lyxor S.A.S. and Lyxor US described in Item 10 are subject to certain aspects of our Code, including required preapproval of personal securities transactions in private securities and IPOs and personal trading reporting.

Item 12. Brokerage Practices

With respect to Trading Adviser Funds, it is the Trading Advisor who selects the brokers to be used to execute transactions. However, we must pre-approve the appointment of any brokers selected by Trading Advisers on behalf of any Trading Adviser Funds, and we negotiate and execute the various brokerage agreements with the relevant broker(s) for such Trading Advisor Funds.

Certain affiliated registered broker-dealers may act as clearing brokers and/or FCMs for Third-Party Adviser Funds. With respect to Third-Party Adviser Funds, there is a conflict of interest because we receive fees for recommending Institutional Clients to such Third-Party Funds that compensate such affiliates for such clearing broker and/or FCM services. Further, with respect to Trading Adviser Funds specifically, while an affiliated broker-dealer may be selected at the request of the Trading Adviser for any such Trading Adviser Fund, we approve such selection. There is a conflict of interest in our approval of affiliated broker-dealers as clearing brokers and/or FCMs because such affiliates are compensated by the Trading Adviser Funds for such clearing broker and/or FCM services. We owe fiduciary duties to each of our Clients to act for the benefit of such Client and to abide by these fiduciary duties when approving brokers. The third-party Trading Adviser may, with our consent, use other brokers to execute trades on behalf of the Trading Adviser Fund.

In pre-approving the appointment of any brokers selected by Trading Advisers on behalf of any Trading Adviser Funds, our Operational Due Diligence team conducts a risk review of the selected brokers and may deny the use of such brokers under certain circumstances. In addition, the Operational Due Diligence team, during its initial and annual reviews of Trading Advisers, reviews the Trading Advisers' best execution policies. Institutional Clients invested in a Trading Adviser Fund should refer to the offering documents for such Trading Adviser Fund for a description of the Trading Adviser's best execution policies.

Soft Dollar Benefits

We do not receive research or other practices or services other than execution ("soft dollar benefits") from a broker-dealer or a third-party in connection with Client securities transactions. However, products and services provided by broker-dealers to Trading Advisers may include, among other things, "soft dollar" arrangements, research reports, economic surveys and analyses, recommendations as to specific securities and other products or services. The "soft dollar" arrangements need not conform to the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, for "bona fide" research services.

The products or services acquired by the Trading Advisers in such arrangements may include: telephone lines, office furniture, computer hardware (including computer terminals and accessories), business supplies, salaries of research staff, rent, accounting fees and software, website design, email software, Internet services, legal expenses, personnel management, marketing, utilities, membership dues, professional licensing fees, software to assist with administrative functions, and expenses for travel, entertainment and meals associated with attending seminars.

The relationship with broker-dealers that provide soft dollar services to the Trading Advisers influences the Trading Advisers' judgment in allocating brokerage business. By using Trading Adviser Fund brokerage commissions to obtain soft dollar products and services, a Trading Adviser receives a benefit because it does not have to produce or pay for the products and services. A Trading Adviser has an incentive to select a broker based on its interest in receiving soft dollar products and services, rather than on a Trading Adviser Fund's interest in receiving the lowest commission, and thereby is subject to a potential conflict of interest in using the services of those brokers to execute a Trading Adviser Fund's brokerage transactions. Although a Trading Advisers may believe that these relationships will be beneficial to the relevant Trading Adviser Fund, trades executed through these brokers for the Trading Adviser Fund may or may not be at the best commission otherwise available. A Trading Adviser Fund may pay commissions higher than those charged by other brokers in return for soft dollar benefits.

All funds (including a Trading Adviser Fund) advised, sub-advised or managed by a Trading Adviser may benefit directly or indirectly, immediately or over time, from products and services provided or paid for with soft dollars. A Trading Adviser may not allocate the benefits of soft dollars among the funds it advises, sub-advises or manages in proportion to the trades that

generate the soft dollars. Consequently, a Trading Adviser may use soft dollars generated by any one of such funds to pay for products and services the exclusive, primary or immediate benefit of which may inure to one or more of the other such funds. As a result, the Trading Adviser Funds' commission dollars may be used to pay for soft dollar benefits that are exclusively or predominantly used by the Trading Adviser for its other client accounts rather than for the Trading Adviser Fund.

We do not consider, in approving the selection of broker-dealers, whether we or a related person receives client referrals from a broker-dealer or a third-party.

Directed Brokerage

We do not routinely recommend, request or require that a Client direct us to execute transactions through a specified broker-dealer. In addition, we do not currently permit a Client to direct brokerage but may do so in the future.

Aggregation and Allocation of Orders

For Trading Adviser Funds, the Trading Adviser has been delegated the responsibility for the purchase or sale of securities for Trading Adviser Funds. The Trading Adviser may aggregate trades among the Trading Adviser Fund it advises and its other clients and may allocate orders based on its allocation policies. Our Operational Due Diligence team, during its initial and annual reviews of Trading Advisers, reviews the Trading Advisers' aggregation and allocation policies. Institutional Clients invested in a Trading Adviser Fund should refer to the offering documents for such Trading Adviser Fund for a description of the Trading Adviser's aggregation and allocation policies.

Allocation of Investment Opportunities

We do not in all cases recommend the same Third-Party Adviser Funds for all Institutional Clients with the same investment objectives. However, we will use every reasonable effort such that no Institutional Client will be treated unfairly in the recommendation of Third-Party Adviser Funds. See Item 10.

Trade Errors

We generally do not trade securities outside of our role in overseeing cash management for the Trading Adviser Funds. We will seek to identify, correct and document errors when committed by us in a manner that is fair and equitable to our Clients. To the extent any trade errors occur, it is our policy that trade errors are part of the cost of doing business and that Clients generally are not reimbursed unless such trade errors occurred as a result of our willful misconduct, bad faith or gross negligence. Notwithstanding the foregoing, we will not be relieved of any liability to the extent that such liability may not be waived, modified or limited under applicable law.

Institutional Clients should review the offering documents of applicable Trading Adviser Funds for a description of the relevant Trading Adviser's trade error policy.

Item 13. Review of Accounts

Review of Client Accounts

Pursuant to a services agreement with our parent company Lyxor S.A.S., employees of Lyxor S.A.S. review and monitor compliance by the Trading Adviser with the investment restrictions and risk guidelines for the Trading Adviser Funds such Trading Adviser advises. In addition, with respect to Institutional Clients, risk and compliance teams for both Lyxor US and Lyxor S.A.S. review investment limitations and risk guidelines on at least a monthly basis.

Reports

We send Institutional Clients that are invested in Trading Advisor Funds reports showing account performance on a monthly basis. For certain Trading Adviser Funds, reports showing account performance are sent to Institutional Clients on a weekly basis. The nature and frequency of reports to Institutional Clients invested in Third-Party Adviser Funds that are not Trading Advisor Funds will vary based on the Third-Party Adviser.

In addition, Third-Party Adviser Fund investors generally receive audited financial statements within 120 days after the end of the Third-Party Adviser Fund's fiscal year.

Item 14. Client Referrals and Other Compensation

On rare occasions we or our affiliates may be entitled to placement fees from Third-Party Advisers, which, if received by us, would be passed on to Institutional Clients invested in funds managed by such Third-Party Advisers.

We do not compensate any persons for soliciting investors to the Trading Adviser Funds or for any other client referrals other than fees paid by Lyxor S.A.S. to a third-party adviser for the introduction and servicing of the Non-U.S. Account as described in Item 5 above.

Item 15. Custody

We do not have actual custody of any Client assets under Rule 206(4)-2 of the Advisers Act. Nonetheless, we are deemed to have custody of the assets of the Trading Adviser Funds. In addition, affiliates of ours, Société Générale S.A. and SG Hambros Trust Company (Channel Islands) Limited, act as custodians for certain Trading Adviser Funds. In accordance with Rule 206(4)-2 of the Advisers Act, we maintain the assets of each Trading Adviser Fund with a qualified custodian and audited financial statements are furnished annually to all investors in the Trading Adviser Funds. Investors are urged to carefully review all account and financial statements and contact us if they have any questions.

Item 16. Investment Discretion

We do not have investment discretion over Institutional Client accounts other than that allotted

through our capacity as “Manager,” “Sub-Manager” or “Sponsor” of Trading Adviser Funds. Nonetheless, Lyxor S.A.S. has investment discretion with respect to the Non-U.S. Account. Institutional Clients may impose, with respect to the recommendation of Third-Party Advisers, investment restrictions and risk guidelines on the type and quantity of Third-Party Adviser Funds their portfolio invests in.

In our capacity as “Manager,” “Sub-Manager” or “Sponsor” for Trading Adviser Funds, we have discretionary authority, subject to certain notice provisions, to appoint and terminate Trading Advisers. In addition, with respect to our cash management services to the Trading Adviser Funds, cash not required for a Trading Adviser Fund's trading operations at any given time may be deposited in bank or brokerage accounts or, with the assistance of Lyxor S.A.S., invested in obligations guaranteed as to principal or interest by the United States.

Item 17. Voting Client Securities

We have implemented policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 of the Advisers Act, as amended.

Rule 206(4)-6 requires us to (i) adopt policies and procedures reasonably designed to ensure that proxies with respect to securities in Client accounts where we exercise voting discretion are voted in the best interests of our Clients, (ii) disclose how information may be obtained on how we vote proxies, and (iii) maintain records relating to our proxy voting.

With respect to Trading Adviser Funds, we have delegated the proxy voting responsibility to the Trading Advisers. From time to time, a Trading Adviser may request that we vote proxies. We will vote proxies consistent with the general guidelines that we adopted and that we believe reflect the best interests of the pertinent Clients after taking into consideration all relevant facts and circumstances at the time of the vote.

We will provide, at no cost, a copy of our proxy voting policies and procedures and applicable information regarding how we voted proxies in the past. To obtain additional information about our proxy voting policies and procedures and proxy voting records, a client should contact us in writing at: Lyxor Asset Management Inc. Attn: Compliance Department, 1251 Avenue of the Americas, 46th Floor, New York, New York 10020.

An Institutional Client may request to maintain control over proxy voting. Investors in commingled Trading Adviser Funds, if any, cannot direct the way we or the Trading Adviser votes proxies for such commingled funds.

It is not expected that material conflicts of interest will arise in the context of our proxy voting policies and procedures. Should a material conflict arise, then we will vote the proxy in the best interests of our Clients and not those of our own. Should we not be able to adequately mitigate a material conflict of interest internally, we will refrain from exercising our discretion with respect to voting the proxy and will instead refer that vote to an outside service for its independent consideration as to how the vote should be cast.

Item 18. Financial Information

Lyxor US is not aware of any financial condition that is expected to hinder its ability to manage Client accounts.