



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-compliance@lyxor.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “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 registered as an investment adviser with the SEC. Registration does not imply a certain level of skill or training.

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Updated: March 30, 2016

Item 2. Material Changes

Lyxor Asset Management Inc.'s last annual update to Part 2A of Form ADV was made in March 2015. This annual update contains the following material changes. All capitalized or defined terms used in this Item 2 have the definitions ascribed to them in Item 4 of this Part 2A.

- Item 4: We have provided additional description regarding the investment advisory services that we provide.
- Item 5: We have clarified various fees and expenses charged to our Clients.
- Item 8: We have clarified our investment strategies and methods of analysis and updated risks associated with our investment strategies and private funds which we recommend to our Clients.
- Item 10: We have generally re-organized the presentation of, and clarified and updated, (x) certain conflicts of interest, including the conflicts of interest involved with investment allocations, and (y) our allocation policies and procedures. We have updated our description of the controls, including the oversight of our investment committee, that seek to mitigate such conflicts.
- Item 11: We have revised certain provisions of our code of ethics, including our personal trading policy, and have described our revised personal trading policy in this Item.
- Item 13: We have provided additional description regarding our review of certain Client accounts.
- Item 17: We have provided additional disclosure regarding how we address conflicts of interest with regard to proxy voting.

Item 3. Table of Contents

Item 2. Material Changes.....	1
Item 3. Table of Contents	2
Item 4. Advisory Business	3
Item 5. Fees and Compensation.....	5
Item 6. Performance-Based Fees and Side-by-Side Management	8
Item 7. Types of Clients	9
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9. Disciplinary Information.....	21
Item 10. Other Financial Industry Activities and Affiliations	21
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	27
Item 12. Brokerage Practices	30
Item 13. Review of Accounts	33
Item 14. Client Referrals and Other Compensation	33
Item 15. Custody	33
Item 16. Investment Discretion	34
Item 17. Voting Client Securities.....	34
Item 18. Financial Information.....	35

Item 4. Advisory Business

Lyxor Asset Management Inc. (referred to herein 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. Shares of Société Générale S.A. are publicly held and traded on the Paris Stock Exchange.

Our investment advisory business is comprised of investment management services for advisory clients, which include: (i) a U.S. state public pension plan (the “**U.S. Pension Plan**”) 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 (such client, the “**Non-U.S. Account**,” and, together with the U.S. Pension Plan, 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**.”

As described more fully below, our investment management services on behalf of our Clients include, (i) portfolio management services for Institutional Clients, described below, which currently include recommending (x) Trading Adviser Funds and/or (y) other private investment funds (collectively with Trading Adviser Funds, “**Third-Party**

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 with respect to the Non-U.S. Account 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.

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.

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 (as described in Item 16 below) 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. Most of the Trading Adviser Funds are funds dedicated to a single investor.

Institutional Clients

Our advisory services for our Institutional Clients focus on “multi-manager investing” where we recommend investments in alternative strategies via Third-Party Adviser Funds. These services may further include advice on asset allocation for a portfolio of alternative investments. Our investment team works with certain Institutional Clients to establish the investment guidelines and terms of the account according to the Client’s objectives and risk appetite.

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 Plan. 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 and managed futures strategies. Our advisory services 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 according to the U.S. Pension Plan's objectives and risk appetite, subject also 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 such portfolios, 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, 2015, Lyxor US's regulatory assets under management ("**RAUM**") was \$9,535,451,245, of which \$6,961,578,053 was managed on a discretionary basis and \$2,573,873,192 was managed on a non-discretionary basis. RAUM refers to the gross amount of assets under management without subtracting out any liabilities.

Item 5. Fees and Compensation

We are compensated for our advisory services by receiving a percentage of assets under management and, in certain cases, performance-based fees. 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.

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

Trading Adviser Funds

Each Trading Adviser Fund is subject to an asset-based fee payable to Lyxor US of up to 0.35% ("**Management Fee**") calculated as a percentage of 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. Certain Trading Advisor Funds also have a fee of no more than 0.01%, accrued monthly and paid quarterly in arrears, of such Trading Advisor Fund's assets to be shared between Lyxor US and such funds' custodian, SG Hambros Trust Company (Channel Islands) Limited ("**SG Hambros Channel Islands**"), an affiliate of Lyxor US.

In addition, the Trading Adviser Funds are charged trading advisory fees (calculated as a percentage of assets) and performance/incentive 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**"), paid to Lyxor US, calculated as a percentage of assets ranging between 0.15% to 0.225% per annum of the aggregate amount of assets with regard to which we provide investment advice to the U.S. Pension Plan. The Consulting Fee is calculated and payable monthly in arrears subject to minimum and maximum amounts. The Consulting Fee is invoiced and not deducted directly from the U.S. Pension Plan's account. The Consulting Fee is in addition to the Management Fee charged to the U.S. Pension Plan for the portion of its account invested in the Trading Adviser Funds. For additional information regarding the conflicts of interest related to the receipt of both the Management Fee and the Consulting Fee see Item 6 below.

In addition to investing in Trading Adviser Funds, the U.S. Pension Plan invests in (i) an unaffiliated Third-Party Adviser Fund subject to (x) management fees and (y) performance fees, both paid to such fund's Third-Party Adviser and (ii) a Third-Party Adviser Fund sub-managed by Lyxor S.A.S. which is subject to (x) management fees, (y) performance fees, and (z) a custodial fee which is shared with affiliates of Lyxor US. Please see "Use of Affiliated Service Providers" within Item 10 herein for more information regarding fees charged to the Third-Party Adviser Fund sub-managed by Lyxor S.A.S.

Non-U.S. Account

Fees Paid to the Firm:

Each portfolio of the Non-U.S. Account which is managed by Lyxor S.A.S. pays to Lyxor S.A.S. a management fee equal to 0.75% per annum of the assets managed by Lyxor

S.A.S. with respect to each such portfolio. 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 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.

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

Fees Paid to Underlying Funds:

The portfolios of the Non-U.S. Account invest in private funds, advised by unaffiliated third-party investment managers, that charge management fees and, frequently, performance fees calculated as a percentage of any new capital appreciation. These performance fees are generally payable to such third-party investment managers (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 (either quarterly or annually, depending upon the 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.

Expenses

Each Trading Adviser Fund is generally subject to, and charged, fees and expenses related to the organization and operation of such Trading Adviser Fund, including, but not limited to, legal, auditing, accounting, and other professional expenses; administration fees and expenses; research expenses; brokerage and trading expenses; custodial fees; bank and wire service transaction fees; applicable regulatory reporting costs; fees and expenses of the fund's directors (if any); costs and expenses associated with the issuance of shares or interests in the fund; trading advisory fees

payable to the Trading Advisor of the respective fund; and other expenses and legal fees related to the purchase, sale, and maintenance of assets of the fund. Such fees and expenses will be discussed in more detail in the offering document for the relevant Trading Adviser Fund, and Clients are urged to reach such offering documents.

In addition to fees and expenses charged in relation to Trading Adviser Funds, Institutional Clients are also subject to fees and expenses related to the operation of other Third-Party Adviser Funds in which they invest. Such expenses may include 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 (if any).

The Liquidating Fund is subject to certain fund-related expenses such as legal and audit expenses. Investors in the Liquidating Fund are urged to read the offering documents for the Liquidating Fund.

Additional information relating to the fees and expenses Lyxor US charges Institutional Clients is provided in the relevant advisory contracts for each Institutional Client.

Funds Advised by Our Affiliates

Certain of our employees are also employees of SG Americas Securities, LLC, an affiliate which is registered with the SEC as a 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 receive Performance Fees from the Non-U.S. Account which are 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 fact that we are compensated based on trading profits creates 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 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 Plan generally do not invest in the same private funds. If any conflict arises regarding allocations between the Non-U.S. Account and the U.S.

Pension Plan, Lyxor US has developed policies regarding allocations between its Institutional Clients which are described herein in 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. In addition, if we recommended to the U.S. Pension Plan that it invest in other vehicles managed by the Trading Adviser, such as the Trading Adviser's own flagship funds, the U.S. Pension Plan would not pay us dual fees. 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, some or all Clients. Although we 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 Item 5 "Fees and Compensation."

Item 7. Types of Clients

We provide investment advice to Trading Adviser Funds, Institutional Clients and 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 and as described in the relevant offering documents.

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. When advising Institutional Clients as to portfolio construction, we rely upon a proprietary risk allocation model which is designed to guide our investment recommendations. The model is designed to establish a framework as different investments present varying risk/return profiles. One dollar invested, for example, in a high-risk fund is not the same as one dollar invested in a lower-risk fund. In addition, our investment team incorporates top-down macroeconomic considerations and investment convictions and bottom-up manager-level analysis subject to limitations imposed by the specific Client.

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 methods of analysis in selecting Third-Party Advisers for recommendation to Institutional Clients include fundamental, quantitative and qualitative 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, firm infrastructure, legal and compliance infrastructure, information technology, strategies employed and risks inherent in such strategies, risk management techniques employed, operational capabilities, risk/reward attributes of each Third-Party Adviser’s strategy, portfolio composition (to the extent provided or otherwise reasonably available), information obtained through personal interviews and literature, as well as political, market and economic factors.

Trading Adviser Funds

As noted above, we serve as the “Manager,” “Sub-Manager” or “Sponsor” for Trading Adviser Funds for which we have delegated discretionary investment authority to a Trading Adviser. We retain management (or sub-management) and certain other responsibilities including, among other things, cash management (as more fully described in Item 16, below) 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 include, without limitation: long/short equities, distressed securities, market neutral, commodities and futures, event driven and global macro. The Trading Advisers implement their investment strategies through a variety of methods, including, without limitation, by investing in securities, commodities, derivatives and other instruments.

General Risks

Investing in securities involves risk of loss and other risks that Clients should be prepared to bear. Below we describe some of these risks, however, no risk discussion can explain all of the risks involved in any investment and, therefore, Clients are likely to be subject to other risks not described below.

Institutional Clients

Institutional Clients should be aware that any investment in (a) a portfolio recommended by Lyxor US and/or (b) any Third-Party Adviser Fund 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 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 accounts 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 Advisers 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 of Third-Party Advisers or any funds managed by Third-Party Advisers, is not necessarily indicative of future results of an Institutional Client's investment.

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- **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. Concentration of risk generally makes an 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 could 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 to be 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 redemption 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.
 - **Disaster Recovery and Data Security.** Lyxor US, its affiliates and Third-Party Advisers all rely heavily on information technology and data management systems, which can fail or be subject to interruption or destruction caused by natural or man-made occurrences such as extreme weather, fires, earthquakes, power loss, telecommunications failures, terrorist attacks, hacking, break-ins, sabotage, intentional acts of destruction, vandalism, or similar events or misconduct. Any failure, interruption, or destruction of information technology systems or data could have a material adverse impact on operations and on

Client accounts.

In addition, a breach in the security of information technology and data management systems could result in the theft, disclosure, or loss of Client, proprietary, and other sensitive information. In such event, Lyxor US, its affiliates or Third-Party Advisers and Third-Party Advisers Funds may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose Lyxor US, its affiliates, a Third-Party Adviser or a Third-Party Adviser Fund to civil liability as well as regulatory inquiry and/or action.

Lyxor US and its affiliates have, and Lyxor US requires Trading Advisers to have, in place information security, incident response, backup, and disaster recovery procedures intended to prevent or mitigate damage if such an event occurs. However, a breach could nevertheless occur, and such procedures could fail or be insufficient to avoid, mitigate, or remedy the breach. Moreover, the ever-changing methods and technologies used to obtain unauthorized access to systems through means such as third-party acts, computer error, malicious code, employee error, or malfeasance often are not known until used against a potential target. There is no assurance that we can anticipate the destructive or invasive methods and technologies that could be used against its systems or to implement adequate protections.

- **Lack of Due Diligence.** Lyxor US's investment selection process cannot ensure that selected Third-Party Advisers will perform as desired and Lyxor US will have no control over the day-to-day operations of any of the Third-Party Advisers recommended to Clients. There can be no assurance that Third-Party Advisers will conform their conduct to the desired standards. There is a risk that Third-Party Advisers will suffer a complete failure as a result of poor performance, failure to raise assets, regulatory violations and enforcement actions, fraud or other factors, which in any case could result in some or a complete loss of a Client's investment with such Third-Party Adviser.

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.

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. In addition, 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

has to a specific instrument or instruments 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/or that are 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 and may be greater than those for traditional equity or fixed income investments. 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 or otherwise incur 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 short selling. Short selling involves selling securities that may or may not be owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to

replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in the value of a security. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Securities may be sold short in a long/short strategy to hedge a long position, to enable the investor to express a view as to the relative value between the long and short positions, or as part of an outright short position. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the securities underlying the short position will not increase in value, causing losses on both components of the transaction, or that the securities underlying an outright short position will not increase in value. If the underlying securities increase in value, the short decreases in value and the investor has a loss. In addition, if a Trading Adviser Fund effects a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

- **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.

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- **Non-U.S. Securities.** Investing in securities of non-U.S. governments and companies 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 state or local governments in the United States) 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 they will do so or 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/performance 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 asset 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.

Under the new regulatory regimes established in the United States and Europe, many swaps have become subject to mandatory clearing and more will become so in the future. Generally, when a swap becomes subject to mandatory clearing, the counterparty to the swap will be a central clearinghouse. However, a Trading Adviser Fund is not in direct privity with the central clearinghouse, acting instead through a futures commission merchant or similar quasi-agent, who guarantees the obligations of the Trading Adviser Fund to the clearinghouse. Clearing has, in certain cases, led to losses caused by operational failure or fraud. A swap that is subject to mandatory clearing also becomes subject to mandatory execution on a swap execution facility or designated contract market. Trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse and regulators.

When permitted by law, a Trading Adviser Fund may enter into privately negotiated swaps that will not be subject to clearing. These noncleared swap (i.e., traditional OTC swaps) may expose the a Trading Adviser Fund to different or increased risks relative to investments that do not involve OTC swap transactions, including, without limitation, the risk of loss from counterparty nonperformance, premature termination of the transaction due to default by the applicable Trading Adviser Fund, adverse changes in market conditions, and substantial costs for creating and maintaining the transaction. 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. There is no or limited liquidity for noncleared derivative transactions and no market transparency as to the pricing of new noncleared derivative transactions or the voluntary unwinding of existing noncleared derivative transactions except with respect to swaps executed on a swap execution facility or designated contract market.

- **Derivative Instruments.** A Trading Advisor Fund may make use of swaps, futures, 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 and other financial institutions, exchanges and 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, Lyxor US or 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. In the case of a counterparty's bankruptcy or inability to satisfy substantial deficiencies

in other customer accounts, the Trading Adviser Fund may recover, even in respect of property specifically traceable to a Trading Adviser Fund's account, only a pro rata share of all property available for distribution to all of such counterparty's customers. The risks of losses resulting from the failure or bankruptcy of offshore brokers and unregulated trading counterparties may be increased as such counterparties are not subject to certain U.S. regulations.

- **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/or 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 (or comparable non-rated securities) generally are 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 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.
- **High Portfolio Turnover.** A Trading Adviser Fund's investment program may involve frequent trading, which may result in higher investment costs and charges to such fund.

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 National Futures Association (the "**NFA**") as associated persons ("**Associated Persons**"). We are registered with the NFA 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. Lyxor S.A.S. is not registered as an investment adviser with the SEC, but rather files with the SEC as an "exempt reporting adviser." 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 of certain personnel of Lyxor S.A.S. to provide investment advice to our Clients. For example, Lyxor S.A.S. provides us with research that we use to identify and recommend Trading Advisors to 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 personnel in its provision of investment advisory services to Clients. It also subjects the personnel of Lyxor S.A.S. who are involved in providing such advice 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 Société Générale group, but we have no business arrangements with such affiliates, other than as described herein. For further disclosure about such affiliates, please refer to our Form ADV Part 1.

Conflicts of Interest

Conflicts of Interest Generally

We are subject to conflicts of interest in making investment recommendations and decisions for our Clients. These conflicts could affect our objectivity and the performance and ultimate results of such recommendations and 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.

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 employees, principals or consultants may have a material adverse effect on our ability to provide certain services to the Clients.

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.

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

Affiliate Investments in Third-Party Adviser Funds

To the extent that our affiliates invest in a Third-Party Adviser Fund on advantageous terms, Lyxor US has an incentive to make certain recommendations to the Institutional Clients in respect of such Third-Party Adviser Fund in order to obtain and/or maintain such advantageous terms for the benefit of our affiliates. Nonetheless, it is the policy of the Firm to make investment recommendations that are based on and consistent with the Firm's fiduciary obligations to Clients and not based on the interests of the Firm or its affiliates. To monitor that the Firm is complying with this policy, the Chief Compliance Officer performs a conflicts analysis on all investment recommendations by the Firm.

Use of Affiliated Service Providers

Below we discuss various conflicts of interest that arise by Third-Party Adviser Funds engaging various affiliates of ours to perform services. However, each of the conflicts described below is mitigated by the fact that it is the policy of the Firm to make all investment decisions and other decisions related to Client accounts for the purpose of benefitting such Client accounts and not for purposes of benefiting the Firm or its affiliated entities. Furthermore, to monitor that the Firm is complying with this policy, the Chief Compliance Officer performs a conflicts analysis on all investment recommendations by the Firm. In addition to mitigating each of the conflicts of interest described below through the implementation of the foregoing policy, we list below any additional ways in which specific conflicts are mitigated.

Use of Affiliated Managers

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 Jersey**”) acts as “Manager” due to local regulations governing such Trading Adviser Fund. Lyxor US receives its Management Fee for this Trading Adviser Fund and SG Hambros Jersey also receives compensation for its role as “Manager.” We may enter into such arrangements for other funds we manage in the future. Because SG Hambros Jersey (and, possibly in the future, other affiliates) receive compensation for their roles, we have an incentive to interpose our affiliates into roles for the Trading Adviser Funds.

Lyxor S.A.S. sub-manages a Third-Party Adviser Fund which we have recommended in the past to the U.S. Pension Plan (the “**Lyxor S.A.S. Fund**”). The Lyxor S.A.S. Fund is charged management and performance fees which are paid to Lyxor S.A.S., and Lyxor S.A.S. in turn shares a portion of these fees with such fund’s Third-Party Adviser.

There may be additional cases where we, in the future, recommend Third-Party Adviser Funds managed (or sub-managed) by Lyxor S.A.S. and our affiliates may receive fees in respect of such funds. Such an arrangement gives us an incentive to recommend or direct Institutional Client assets to such funds. The greater the fees earned by our affiliates, the greater the conflict, as we may have an incentive to recommend or direct assets to Third-Party Adviser Funds that pay higher fees to our affiliates. Our Clients will be made aware of the foregoing conflicts prior to such investment.

Use of Affiliated Service Providers and Counterparties

Certain Third-Party Adviser Funds obtain services from, and pay fees and expenses to, us or our affiliates for services rendered to the Third-Party Adviser Funds. The Third-Party Adviser Funds also may 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, subject to applicable law. The Third-Party Adviser Funds may also enter into brokerage arrangements with our affiliates, subject to applicable law. See Item 12 below for a discussion of the conflicts of interest regarding the use of affiliates as brokers.

Use of Affiliates as Administrator and/or 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. Our affiliates will receive fees as a result of our recommendation to an Institutional Client of an investment in a Third-Party Adviser Fund when such fund compensates our affiliates for such services. Although this is a conflict of interest, we believe that the fees borne by any Clients as a result of contracts with SGSS are charged at commercially reasonable rates.

Use of Affiliates as 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. SG Hambros Channel Islands serves as the custodian of a Trading Adviser Fund for which SG Hambros Jersey is the “Manager” and registrar. Please see the “Trading Adviser Funds” section of Item 5 herein for more information on this custodial fee received by SG Hambros Channel Islands. In addition, the Lyxor S.A.S. Fund is subject to a custodial fee to be shared between SG Hambros Jersey and SG Hambros Channel Islands, custodian of the Lyxor S.A.S. Fund.

Each of Société Générale S.A. and SG Hambros Channel Islands (each, a “**Custodian**”) is an affiliate of Lyxor US. These Custodians will receive fees as a result of our recommendation to an Institutional Client of an investment in a Third-Party Adviser Fund when such fund compensates our affiliates for such services. Although this is a conflict of interest, we believe that the fees borne by any Clients as a result of contracts with the Custodians 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**”) 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.

Société Générale S.A., together with its subsidiaries and affiliates, is a major participant 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, and/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 or Third-Party Adviser Funds. As a result, SG Parties and/or SG Funds may compete with, or take positions opposite of, Clients or Third-Party Adviser Funds, or engage in trading activities that are detrimental to the trading positions of Clients and/or Third-Party Adviser Funds. The SG Parties’ or the SG Funds’ trading activities generally are carried out without reference to positions held by Clients or Third-Party Adviser Funds 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 and/or Third-Party Adviser Funds. 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.

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.

Conflicts of Interest Regarding Allocation Decisions

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. Each Third-Party Adviser has policies and procedures regarding allocation for each Third-Party Adviser Fund. As such, the Firm is not responsible for allocation decisions for any Third-Party Adviser Fund. However, the Firm’s operational due diligence personnel monitor Third-Party Advisers to determine whether such Third-

Party Advisers have procedures in place reasonably designed to fairly and equitably allocate opportunities among their various clients.

For Institutional Clients, from time to time, the Firm may advise more than one Institutional Client whose investment objectives and guidelines permit investments in the same alternative strategy or the same market sectors and, in certain cases, the same investment opportunities may be appropriate for more than one Institutional Client. In such cases, the Firm strives to allocate investment opportunities and trades equitably among all Institutional Clients. In allocating investment opportunities and trades, the Firm does not take into consideration the relative performance of the accounts or the level or type of fees charged to the different accounts.

It is the policy of the Firm that investment decisions are to be made consistent with the investment objectives, guidelines and restrictions of Institutional Clients and that trades are to be allocated fairly and equitably among accounts participating in each transaction, taking into consideration the objectives, restrictions, investment strategy, asset allocation and benchmarks of each Institutional Client. No assurance can be given that particular investment opportunities recommended to one Client will not outperform investment opportunities recommended to another Client.

The Firm has adopted the following procedures to handle allocation issues that may arise between Institutional Clients. As a preliminary matter, the Firm's Investment Committee (the "**Investment Committee**") makes an assessment regarding whether a particular investment opportunity is appropriate for an Institutional Client and, if it is an appropriate investment, the amount of such investment to give to the Institutional Client in accordance with the following factors:

- market research, such as (i) top-down internal research on the global macroeconomic outlook, and (ii) the Firm's internal research on asset managers;
- Client-specific factors, such as the Client's (i) investment objective, policies and restrictions (including, without limitation, the Client's desired type of investments), (ii) allocation to specific market sectors and capitalization ranges, (iii) risk tolerance, (iv) time horizon, (v) portfolio construction (including, without limitation, the current asset allocation in comparison to the Client's target asset allocation), (vi) tax sensitivity, and (vii) tolerance for portfolio turnover; and
- other factors, such as (i) the nature and size of the Client's account(s), (ii) the suitability of the investment for the Client, (iii) the availability of cash or buying power and other liquidity concerns, (iv) whether the Client is eligible to participate in a trade pursuant to compliance regulations, (v) the percentage of a Client's portfolio that is currently invested with the particular manager or with other managers that engage in similar and/or comparable investment

strategies, (vi) the amount of the investment capacity to be allocated, including whether an allocation to a particular manager would have a material impact on the Client's overall portfolio, and (vii) the amount of fees charged by the particular managers under consideration.

From time to time, a particular investment opportunity may be one of limited availability (and hence not fungible with other opportunities). If this occurs, the Investment Committee will allocate such investment opportunities among the Institutional Clients to which it is recommending such investments on a pro rata basis. However, exceptions to this policy may occur. For example, if one or more accounts would be unable to meet an investment objective, or if a pro rata allocation results in a de minimis allocation to certain accounts, the Firm may deviate from this preallocation formula. These allocation decisions, and the reasoning supporting them, will be documented in the minutes of the Investment Committee.

From time to time, Lyxor S.A.S. or its subsidiaries (other than Lyxor US) may desire to recommend an investment opportunity with limited capacity to its clients (the “**Affiliate Accounts**”) at the same time that the Firm desires to recommend such investment opportunity to one or more Institutional Clients. The Investment Committee makes its own recommendations and allocations without regard to the investment goals of the Affiliate Accounts. There is no committee that oversees allocations between Institutional Clients and the Affiliate Accounts. In this instance, the Investment Committee will negotiate a fair and equitable allocation with the portfolio managers at the relevant affiliate(s) advising the Affiliate Accounts. This allocation ideally should be made on a pro rata basis but exceptions may occur. These allocation decisions, and the reasoning support them, will be documented in the minutes of the Investment Committee.

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 or Affiliate Account will not be treated differently from another. If Lyxor US did not manage multiple Client accounts, and if there were no Affiliate Accounts, each Client individually may be able to receive or sell a greater percentage of all investments. Consequently, when multiple Clients and/or Affiliate Accounts participate in limited opportunity investments, each participating account reduces the opportunity available to other participating accounts.

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 Clients above their own personal interests.

The foundation of the Code:

- seeks to place the interests of Clients over the interests of the Firm or of any Employee;
- imposes standards of business conduct for all Employees;
- requires Employees to comply with the federal securities laws;
- regulates Employee personal securities transactions;
- requires reporting and review of personal securities transactions; and
- requires Employees to report violations of the Code of Ethics.

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 place the interests of Clients ahead of the interests of the Firm and its employees.

We expect Employees to conduct our affairs on an arm’s length basis and not to engage in business or financial activities that 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 should allow 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 are permitted, as principal, to buy securities from, or to 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, have no advance knowledge

of when our brokerage affiliates transact on a principal basis with the Trading Adviser Funds and the unaffiliated Trading Adviser independently determines whether to enter into such transactions. Similarly, based on SEC staff no-action letter guidance, 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.

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

Employees must obtain written pre-clearance from the Chief Compliance Officer or his designee through the Firm’s compliance software of all securities transactions in employee accounts except for transactions in exempt securities (as defined in the Code, which includes securities such as government-issued securities, money market fund and certain other open-ended mutual funds), open-end mutual funds and exchange-traded funds. Employees that seek to obtain pre-clearance to invest in securities of limited availability and/or limited offerings must furnish any prospectus, private placement memoranda, subscription documents and other materials about the investment or trade as the Chief Compliance Officer may request.

As part of the pre-clearance process, the Chief Compliance Officer will check the Firm’s restricted list. In addition, in reviewing a pre-clearance request for a transaction regarding a security of a limited availability (e.g., shares of initial public offerings) or a limited offering, the Chief Compliance Officer will review such request to check whether such an investment would create conflicts of interest for the Firm such as, without limitation, whether such transaction in a security of limited availability or limited offering would create competition with Clients for such investments.

Employees are required to comply with all Firm reporting requirements relating to initial and annual holdings reports and quarterly transaction reports.

Lyxor S.A.S.

Certain employees of Lyxor S.A.S. that are subject to the participating affiliate

arrangement between Lyxor S.A.S. and Lyxor US described in Item 10 are subject to certain aspects of our Code, including required preapproval by the Chief Compliance Officer of personal securities transactions in private securities and IPOs and personal trading reporting.

Item 12. Brokerage Practices

The Firm's affiliated 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 Adviser Funds that compensate such affiliates 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 making investment decisions and other decisions related to Client accounts. Furthermore, the Chief Compliance Officer performs a conflicts analysis on all investment recommendations by the Firm to monitor that the Firm is complying with this policy. Therefore, we recommend Third-Party Adviser Funds consistent with our fiduciary duties and not based on their use of affiliated broker-dealers.

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 Adviser Funds. 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, Lyxor S.A.S. and Lyxor US's combined global risk management team conducts a risk review of the selected brokers and may deny the use of such brokers under certain circumstances. In addition, the Firm's operational due diligence team, during its initial and periodic reviews of Trading Advisers, conducts a review of the Trading Advisers' best execution practices, policies and procedures. 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 products 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 Adviser 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. However, each Trading Adviser owes fiduciary duties to its Trading Adviser Fund(s) to act for the benefit of such Trading Adviser Fund(s) and to abide by these fiduciary duties when allocating brokerage business. 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. 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 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.

For Trading Adviser Funds, the Trading Adviser's responsibility for trade errors that it causes in a Trading Adviser Fund shall ultimately be governed by the trading advisory agreement between Lyxor US and such Trading Adviser. 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

The portfolio manager(s) overseeing the Institutional Clients' accounts and the U.S. Head of Research review account performance on at least a monthly basis. In addition, our risk management team monitors compliance by each Trading Adviser with the investment restrictions and risk guidelines for the Trading Adviser Funds such Trading Adviser advises on at least a monthly basis. Our risk management team also monitors investment limitations and risk guidelines for the Institutional Clients' accounts on at least a monthly basis.

Reports

We send Institutional Clients written reports showing account performance on a monthly basis. In addition, Trading Adviser Fund investors generally receive audited financial statements within 120 days after the end of the Trading Adviser Fund's fiscal year.

Item 14. Client Referrals and Other Compensation

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 Channel Islands, 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 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 Third-Party Advisers, our operational due diligence personnel monitor that the Third-Party Advisers have reasonable proxy voting procedures to the extent applicable.

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. In such situations, the Firm will evaluate each proxy on a case-by-case basis. With respect to the voting of equity securities on routine matters, such as election of directors or approval of auditors, the proxies usually will be voted with management unless the Firm determines it has a conflict or there are other reasons not to vote with management. On non-routine matters, such as amendments to governing instruments, proposals relating to compensation and stock option and equity compensation plans, corporate governance proposals and shareholders proposals, the Firm will vote, or abstain from voting if deemed appropriate, on a case-by-case basis in a manner it believes to be in the best economic interest of the Trading Adviser Fund. In

the event requests for proxies are received with respect to debt securities, the Firm will vote on a case-by-case basis in a manner it believes to be in the best economic interest of the Trading Adviser Fund.

It is not expected that material conflicts of interest will arise in the context of our proxy voting policies and procedures. If a potential conflict of interest is identified, it must be brought to the attention of the Chief Compliance Officer. The Chief Compliance Officer will determine whether a conflict of interest exists. If it is determined that a material conflict of interest is present, then an ad hoc proxy voting committee will be formed consisting of the Firm's General Counsel, the Chief Compliance Officer and the relevant portfolio manager. If the relevant portfolio manager is personally conflicted, the Chief Compliance Officer will appoint a replacement member of the ad hoc proxy voting committee. The ad hoc proxy voting committee must make a unanimous decision as to how to vote in the best interests of the Client. If the ad hoc proxy voting committee cannot reach a unanimous decision, it will refer the vote to an outside service for its independent consideration as to how the vote should be cast.

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 is permitted to 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.

Item 18. Financial Information

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