



CAPITAL FUND MANAGEMENT

ADV PART 2A BROCHURE

Effective as of 31 March 2013

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This brochure provides information about the qualifications and business practices of Capital Fund Management S.A. If you have any questions about the contents of this brochure, please contact us at cfm@cfm.fr. 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 Capital Fund Management S.A. also is available on the SEC's website at www.adviserinfo.sec.gov.

Please note that the registration of Capital Fund Management S.A. with the SEC does not imply or guarantee a certain level of skill or training.

For clarity and to insure integrity, the references to the original numbering of the required "items" have been included in the titles of this brochure. Item 1 is this cover page.

Item 2. Material Changes

Since the Firm's brochure dated August 20, 2012, there have been the following material changes to the brochure:

- The Firm has registered as a commodity pool operator effective as of January 1, 2013 and operates commodities pools, whose participants are limited to qualified eligible persons, pursuant to CFTC Rule 4.7.
- On January 02, 2013, a new fund managed by the Firm was launched: CFM Institutional Systematic Futures Master Limited that is fed by CFM Institutional Systematic Futures Fund Limited.
- On February 7, 2013, the Firm set up a wholly owned subsidiary in London, UK.

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Item 4. Advisory Business

A. The Advisory Firm

Capital Fund Management S.A. (the “Firm”) provides discretionary investment management services to U.S. and non-U.S. clients from its offices in Paris, France. Founded in 1991, we are today registered with the U.S. SEC as an investment adviser, with the U.S. CFTC as a commodities trading adviser and as of January 1, 2013 as a commodity pool operator, and we are a member of the National Futures Association (“NFA”) in such capacity. In France, we are regulated by the *Autorité des Marchés Financiers* (“AMF”) as a portfolio management company.

We currently have five wholly owned subsidiaries: Capital Fund Management International, Inc. (“CFMI”), CFM North America, Inc (“CFM NA”), CFM Asia KK, CSysNet and CFM Corporate Member Limited. CFMI and CFM NA are both Delaware, U.S.A. limited liability companies. CFM Asia KK is a Japanese kabushiki kaisha (stock company). CFM Corporate Member Limited is a limited company registered in England and Wales.

CFMI has offices in New York and contracts with us to interface with investors and potential investors in investment funds we advise and maintains certain of our IT infrastructure we keep in the US. CFMI does not provide investment advice. CFM NA is the managing member/partner of certain funds organized as Delaware limited liability companies or offshore partnerships that we advise. CFM NA has delegated its powers and authority under the governing agreements to various service providers, including to us to act as investment adviser. CFM Asia KK has offices in Tokyo, Japan and contracts with us to facilitate communications with investors and potential investors in funds we advise and to interface with investors and potential investors in Japan and Asia. CFM Asia KK does not provide investment advice to our clients. CFM Asia KK is registered as a Type II Financial Instruments Firm with the Japanese Financial Services Agency (“JP FSA”). CSysNet is a French corporation acting as a purchaser of IT equipment. CFM Corporate Member Limited has offices in London and acts as the General Partner of CFM London LLP. CFM London LLP is looking to register with the UK FSA as an arranger in investments.

The principal owners of the firm are Jean-Philippe Bouchaud, who is also Chairman, Philippe Jordan, Marc Potters (Co-CEO) and Jacques Saulière (Co-CEO), all of whom are also board members and investment committee members. We are a privately owned company, majority owned by the board members and staff. Dyal Capital Partners (B) LP owns through a Luxembourg based vehicle a minority stake in the Firm. The Firm and its subsidiaries employ approximately 139 staff in Paris, New York, London and Tokyo, divided between Research, Data, Front Office-IT, Operations-IT & Risk Control, IT-Infrastructure, Operations, Legal & Compliance, Administration and Investor Relations.

The clients to whom we give securities investment advice as a part of our Stratus and Institutional Systematic Futures (“ISF”) programs are all organized as investment funds. The Firm also operates a managed futures program, Discus, whose clients are organized as investment funds and as well as separate managed accounts.

B. Advisory Services

We offer discretionary securities investment advice solely to private funds. We use a systematic/quantitative approach to trading the financial markets. All of our strategies fall within what is often called “alternative investments” and the funds we manage are often referred to as “hedge funds”. Our investment styles include managed futures, statistical equity arbitrage and volatility arbitrage.

The Firm primarily trades futures, foreign exchange, securities (equities, fixed income and exchange traded funds), options , as well as derivatives on all of the foregoing, in leading financial centers in the U.S. and internationally. Our strategies focus on trading in liquid instruments on exchanges or electronic platforms. Such instruments are generally easy to value. The investment strategies of, and other material information about, each private fund are set forth in each private fund’s offering documents provided to investors in such fund at or prior to their investment.

We have invested significant resources in developing our proprietary technology platform for trading decisions, execution, post-trade processing and risk management. We carry out all our trading electronically either through direct market access through brokers or through exchange memberships. Our systems support straight-through processing of all post-trade activity. Our own in-house IT engineers develop and maintain all core software we use to operate our business and trading.

C. Tailoring of Advisory Services

We currently manage three trading programs: Discus, ISF and Stratus. Discus is a managed futures program focusing on directional trading in most liquid asset classes. Discus acquires its exposure only through futures

and foreign exchange and does not invest in any securities. As Discus does not include securities in its portfolios, we have excluded this program from our regulatory assets under management.

ISF was launched in January 2013 and is a managed futures program focusing on directional trading in most liquid asset classes following a longer term trading strategy. Like Discus, ISF does not include securities in its portfolios and this program is excluded from our regulatory assets under management.

Stratus is a quantitative trading program providing exposure to our Directional Trading strategy as well as our Intraday Trading, Directional Volatility, Statistical Equity Arbitrage and Statistical Volatility Arbitrage trading strategies. Directional Volatility was previously part of the Statistical Volatility Arbitrage strategy but was split out as a separate risk allocation in July 2012. Through the Stratus program, we trade futures, foreign exchange, sovereign debt as well as equities, listed options, and derivatives on all of the foregoing.

We generally implement our trading programs in a similar manner for all clients. For Stratus there are private feeder funds available for U.S. and non-U.S. investors. Most feeder funds of Stratus offer both US\$ and EUR share classes in order to allow investors to choose base currency. We do not advise any separately managed accounts that trade securities portfolios.

D. Wrap fee programs

We do not participate in any wrap fee programs.

E. Assets Under Management

As of December 31, 2012, we managed total client assets of US\$5,192.6m in leveraged equity corresponding to US\$4,164.8m in net assets. Our regulatory assets under management which only includes portfolios that include or trade in securities as part of the trading program comprise a total leveraged equity ("RAUM") of US\$3,976.2m corresponding to net assets of US\$3,139.5m, all of which was invested in the Stratus program. We managed all of this RAUM on a discretionary basis.

A large portion of the trading in our strategies involves the use of options, futures and other derivatives that may include embedded leverage. In addition, our strategies involve financing foreign exchange and securities exposures through prime brokerage relationships. This enables our funds to offer different classes of shares with different inherent leverage. Currently funds advised by us are generally structured to include "1x" and "1.5x" classes of shares for Stratus, where the coefficient represents the applied "leverage". Leverage can be understood as a level of risk applied, where for instance the 1.5x shares generally return approximately one and a half of that of the 1x shares and where the risk of the 1.5x shares is approximately one and a half of that of the 1x shares. For purposes of reporting assets under management in Form ADV Part 1A, we used in 2011 the total net assets under management rather than leveraged equity which includes notional leverage. Due to new guidelines released in 2012 on calculating RAUM we changed our standard to use leveraged equity from January 1, 2012. As discussed above, we only report programs including securities in the portfolios such as Stratus (not Discus and ISF) for the purposes of reporting our RAUM in Form ADV Part 1A.

Item 5. Fees and Compensation

A. Compensation for Advisory Services

Our fees are established by the Investment Advisory Agreements we enter into with each of our clients who are private funds and which is disclosed in the offering materials of each fund. We generally receive a management fee calculated at a rate per annum of net assets under management and performance-based compensation equal to a portion of the increase in net asset value of the client's account adjusted for carry forward profit/loss. Our fees are generally non-negotiable but in limited instances we may vary our fees depending upon a variety of factors including the size of an account or the overall relationship with the client. This brochure is only being delivered to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act.

B. Billing of Compensation for Advisory Services

The administrator for each private fund client calculates our advisory services fee and we must confirm such fees before payment. After such confirmation, we may instruct a custodian holding an account of the relevant private fund client to pay us our fee. We may agree to charge different fees to different classes of a fund. The private funds pay management fees monthly in arrears. Funds managed in accordance with our Stratus program generally pay us monthly 1/6th of the accrued performance-based compensation.

C. Other Expenses

The offering documents of each private fund that we advise set forth other expenses charged to such funds.

Generally, the private funds pay all their own ongoing fees, costs and expenses including, but not limited to, the fees of a third party administrator, the fees of the directors, operating expenses incurred, including legal, auditing, registration, company secretarial, licensing, stock exchange listing fees, brokerage commissions, stock loans, governmental filing fees, and printing costs. Further, clients that are feeder funds into a master fund will also bear their pro rata share of any expenses of the master fund in which they invest as these are included in the change in net assets of the respective master fund. The Firm generally pays the initial organizational expenses of the private funds that it advises and does not expect to recover such costs. The Firm may, however, be reimbursed for approved out of pocket expenses.

The prime brokers, executing brokers, any custodians and other counterparties to our clients will receive such fees, rates and commissions as may be agreed with the clients from time to time. Our policies and practices with regard to selection of brokers are discussed below under “Brokerage Practices”.

In order to optimize the quality of execution, we have spent considerable resources on developing systems and technology for executing our clients’ trades directly on markets as an exchange member or direct market participant. No brokerage commission is payable on such trades when they are passed to an execution venue directly without the use of a broker.

D. Advance payment of fees

We do not collect any fees in advance. We charge fees monthly, quarterly or annually in arrears.

E. Compensation for the sale of securities or other investment products

We do not receive any compensation for the sale of any securities or other investment products to clients.

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

Our fees generally include a performance-based fee, which may be charged monthly, quarterly or annually in arrears based on the realized and unrealized gains of the share classes of the respective funds. We may charge this performance fee at different rates to different classes of our private fund clients. A significant portion of our total compensation comes from performance-based fees, which may give us an incentive to engage in higher risk investing to increase performance than would be the case without performance-based fees.

We advise certain clients with overlapping strategies. In such instances, we may place block orders and allocate futures and foreign exchange purchased or sold among the participating clients. All securities trades are currently only carried out for one master fund and are thus allocated pre-trade. We receive similar performance-based compensation from all of our clients and therefore do not believe that differences in compensation are an incentive to allocate trades to any particular client.

Item 7. Types of Clients

The Firm only provides securities investment advice to private funds that are open only to sophisticated institutional and high net worth investors. All U.S. investors having an investment in a private fund client must be accredited investors as defined in SEC Regulation D and qualified purchasers, as defined in the Investment Company Act of 1940. The investors in the client funds are generally institutional investors such as pension funds, funds of funds, private funds, insurance companies, private banks and other significant financial services providers. A small share of investors in client funds are family offices, high net worth individuals or other qualified individuals. Most individual investors are our employees. The minimum investment in Stratus is set at US\$1m. We do not currently offer any managed accounts in the Stratus program. Therefore, minimum account size is inapplicable.

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

A. Investment Strategies

The Firm’s investment strategies originate from our global and quantitative approach to financial markets and rely on in-depth statistical analysis of large scale sets of financial data for asset allocation, trading decisions and order execution. We implement our investment strategies through automated trading programs operated on our own IT infra-structure, which includes data feeds, engines for decision making and risk control, order management, connectivity to markets as well as post-trade processing facilities and accounting. Our trading style can be characterized as “black box”, “algorithmic” or “quant” trading. Data inputs used in developing our strategies are mainly prices and public corporate & economic information.

The overall investment strategies, risk management, implementation of new models and risk allocation

decisions are made by our Investment Committee, comprised of our four board members, the head of each of our trading strategies, the head of execution, the portfolio managers and the responsible for independent risk monitoring (12 persons overall).

We employ a team of Ph.D.'s - former physicists from prestigious institutions - and IT and data specialists to conduct research in the statistical properties of financial instruments and to develop systematic trading strategies for use with our clients. The Research team's mandate for continuous development of investment strategies helps the Firm to capture new sources of value and adapt its trading strategies to the evolving markets.

We currently manage three trading programs: Discus, ISF and Stratus. Discus is a managed futures program focusing on directional trading in the most liquid futures contracts and spot foreign exchange. ISF is a managed futures program focusing on directional trading in the most liquid futures contracts and spot foreign exchange following a longer term trading strategy. Stratus is a quantitative trading program providing exposure to our Directional Trading, Intraday Trading, Directional Volatility, Statistical Equity Arbitrage and Statistical Volatility Arbitrage strategies. Each trading strategy is based on a large number of individual trading models which focus on a specific type of trading opportunity. By combining a large number of such models, ideally un-correlated to each other, the Firm aims to achieve an attractive risk-reward relationship for the investment programs available to clients.

Our investment programs are designed to be un-correlated to traditional asset classes in most market conditions. There is no assurance that these investment programs will provide an acceptable return to investors or the degree of correlation that any portfolio will actually experience. Investing in securities and other financial instruments such as those in our trading programs involves risk of loss that clients should be prepared to bear.

B. Risk Factors

Our trading strategies involve high-volume, systematic trading, use of derivatives and heavy reliance on our IT systems. As with any investment program, clients and prospects should understand the risks involved with the underlying trading strategy. Each investor and potential investor in a private fund client will have received offering documents describing the features of that private fund and the risk factors applicable to the trading strategy. Prospective investors should carefully consider the following risks as well as other risks described in the offering documents for our private fund clients. Investors should carefully consider whether an investment in the Firm's investment programs is suitable for them in light of their sophistication, needs, risk appetite and financial condition.

Reliance on Technical Trading Systems. We base our trading decisions chiefly on statistical modelling and technical analysis. The calculations which underlie our trading systems, methods and strategies involve the extensive use of computers and related information technology and purchase and sale orders are placed in accordance with computer generated trading signals. The use of computers in processing information or in developing and operating a trading strategy does not assure the success of the strategy as computers merely perform a mechanical aid in processing trade information.

Changes in Trading Models, Risk Systems and IT Systems. The Firm has discretion to change and update its trading models and risk systems, without the approval of the private funds clients and their investors. A change in a trading model or risk system involves risks due to the difficulties in anticipating the future actual performance of such new models or risk systems. There may also be risks with implementing new information technology required to operate such new or existing models and risk systems. There are several risks in implementing new models, risk systems, software and/or IT systems, including risks due to programming and/or technical errors. New or updated trading models, risk systems, software or IT systems may not function as anticipated.

No Guarantee of Profit. There is no assurance that the trading advice of the Firm will provide an acceptable return or that investors will not incur substantial losses.

Speculative Nature of the Investment Programs. The Firm's investment programs are speculative and involve a high degree of risk. There is no assurance that the technical and risk management techniques utilized by the Firm, as well as the investment decisions made by the Firm, will not expose the client to risk of significant losses. The analytical techniques used by the Firm cannot provide any assurance that the client will not be exposed to the risk of significant trading losses if the underlying patterns of market behavior studied by the Firm and which provide the basis for its statistical models change in ways not anticipated by the Firm. The Firm's investment strategies are subject to market risk, which is the risk inherent to the entire market, each market segment as well as individual positions and which may adversely affect the performance of an investment. In addition, an investor who redeems shares after a short period may not realize the amount originally invested as a result of charges made on the issue and /or redemption of the shares.

Use of Leverage. We generally use leverage as part of our investment strategies. This generally results in investment portfolios with market exposures that are significantly higher than the corresponding managed net assets. Leverage may be acquired through positions financed by borrowings or by entering into instruments that embed leverage. The use of leverage increases a client's returns if it earns a greater return on investments purchased than the client's cost of borrowing. However, the use of leverage exposes the client to additional risks, including (i) greater losses from investments than would otherwise have been the case had the client not applied leverage, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the client's cost of financing. In the event of a sudden, precipitous drop in the value of the client's assets, a client might not be able to liquidate assets quickly enough to repay its obligations, further magnifying losses.

Short Sales. We generally effect short sales of securities as a speculative position or as a part of a hedging strategy. Short sales are transactions in which the client sells a security, which it does not own (by borrowing such security) in anticipation of a decline in the market value of the security. Losses from short sales may be unlimited if the price of a security sold short continues to appreciate. Additionally, even though a client takes measures to secure a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the client to purchase the security at the then prevailing market price which may be higher than the price at which such security was originally sold short. There are additional regulatory requirements in respect of short sales that may adversely affect the performance of an investment.

Trading Costs. Our trading strategies generally entail a substantial volume of trading activity resulting in corresponding brokerage costs, exchange fees, regulatory fees, clearing costs or other trading related costs being incurred. This substantial trading volume also causes a taxable event in the U.S. to occur each time a security is purchase and sold. These increased expenses and potential taxes could lower the overall investment performance of the private fund clients.

Counterparty Risks. Our investment strategies involve incurring exposure to the counterparty risk of issuers, exchanges, clearing houses, brokers, prime brokers, banks, futures clearers and other counterparties. Counterparty risk may incur for example due to: i) clients being general creditors to a counterparty, ii) counterparties re-hypothecating the assets of clients, iii) assets being held in accounts that are not segregated from counterparties (which may be true even for futures and options margin); iv) counterparties defaulting on settlement of trades; v) trades being carried out on a synthetic basis or vi) assets being charged to counterparties through pledges or outright title transfer. Even when assets are held in trust or under agreements that require segregation, clients may experience short-falls as a results of for example: i) gross negligence, ii) operational failures, iii) defaults of sub-custodians or iv) existence of pledge arrangements. In addition, in the case of failure of a counterparty, such trust assets may take significant time to be released even when fully available. The default of any counterparty on an obligation to one of our clients could lead to material losses to such client and to any underlying investors.

Master-Feeder Fund Structure. The private fund clients advised by the Firm are usually structured as master/feeder structures where the feeder fund realises its investment strategy through an investment in a master fund. The assets and liabilities of the feeder funds are generally held on a pooled basis. Similarly, the assets and liabilities of each master fund are held pooled, in the sole name of the respective master fund. Investors should be aware that in the event of such feeder fund or master fund incurs losses, creditors of the respective feeder fund will have access to all of the assets of such feeder, and creditors of a master fund will have access to all of the assets of such master, in satisfaction of their claims. In addition, in the event of insolvency of a feeder or a master fund, the assets of any of the share class shall generally be indistinguishable from each other. Such master-feeder structures may involve cross-liability between share classes.

Interpretation and Changes of Law and Regulations. The holding of the shares in any of the private fund clients and the business of the private funds, the Firm, the service providers of the private fund clients is subject to numerous laws and regulations in multiple jurisdictions that may be difficult to interpret and that may be subject to change. Any change or change in the interpretation of existing laws and regulations may have a materially adverse effect on an investment in a private fund client. In particular, both the US and the European Union are in the process of finalizing several new regulations in relation to alternative investments and trading in financial instruments which may materially impact the private fund clients ability to achieve its investment objective, significantly increase costs of operating the private funds or which may limits its ability to do business particularly in the EU.

Tax and Regulatory Change. The tax consequences to the investors in the private fund clients, the ability of the private funds to make investments as a foreign investor in certain markets, and the ability of the private funds to repatriate assets including any income and profit earned on assets are based on existing regulations, which are subject to change through legislative, judicial or administrative action in the various jurisdictions in

which the trading program may operate. The markets and instruments in which the private fund clients trade are undergoing significant regulatory change in various jurisdictions. Changes in any of these regulations, incompatibility of changes between jurisdictions, restrictions on certain trading strategies, or increased licensing and reporting obligations could negatively affect the ability of the private fund clients to continue the trading programs or could adversely affect the private fund clients and their investors. In particular, high-frequency, algorithmic trading, over-the-counter derivatives and trading in various agricultural and energy commodities have been the subject of increased regulatory scrutiny which could result in restrictive regulations that could adversely affect the private fund clients and their investors. NO ADVICE IS BEING PROVIDED AND NO REPRESENTATIONS HAVE BEEN OR ARE BEING MADE (AND NONE SHALL BE INFERRED) BY THE FUND, THE FIRM OR ANY OF ITS AFFILIATES WITH RESPECT TO THE TAX CONSEQUENCES OF AN INVESTMENT IN A PRIVATE FUND CLIENT OR OF ANY INVESTMENTS OR TRANSACTIONS ENTERED INTO BY THE FIRM FOR THE PRIVATE FUND CLIENTS.

Physical Delivery of Underlying in certain Derivatives Markets. The Firm's programmes may involve trading in various derivatives contracts in the commodities markets. Such contracts may involve special terms such as physical delivery of the underlying at the maturity of the contract. Any failure to roll or close such positions may lead to clients taking possession of a significant amount of physical inventory, which may need to be stored, transported and/or liquidated. A physical delivery of a commodity position may involve significant costs and may have a materially negative effect on the value of an investment.

Operational and Systems Failures. The trading strategies operated by the Firm are based on computer generated trading signals. In addition, the trading strategies generate substantial volume of trades that can only be processed using a fully automated trading infrastructure. Such strategies are thus highly dependent on the proper functioning of the information technology systems and processes of the Firm, the counterparties and other service providers. Computer systems failures (software errors, system errors, trade errors, etc) might occur and in addition, such strategies are highly dependent on establishing reliable electronic communication links between the above parties. Accordingly, any information technology or communication systems degradation or operational failures could lead to errors, delays or disruptions in the trading process. Any such errors, consequential errors, delays or inability to trade (even for a short period), could, in certain market conditions cause a client to experience significant losses or to miss significant trading opportunities. Clients will assume such losses in full.

Limited Ability to Redeem. Investors in the private funds advised by the Firm usually may withdraw assets monthly on two months' notice for Stratus. However, the directors of the private funds may have authority to suspend redemptions in certain circumstances and may also withhold consent to the transfer of shares. Investors should be prepared to hold their fund interests indefinitely.

Income. We generally only advise private fund clients that are structured to accumulate and reinvest profits, losses and income. An investment in such vehicles is not suitable for an investor seeking current income and distribution rather than longer term appreciation.

Risks Associated with Performance-based Compensation. A substantial part of our compensation is comprised of a performance-based fee. This may create an incentive for us to make more speculative investments than it would otherwise make in the absence of such performance-based compensation.

Please carefully review the risks applicable to the specific strategy that we will use to provide investment advice contained in the offering documents for the relevant fund.

C. Risks of Securities Recommended

Prospective investors should carefully consider the following trading-instrument-related risks as well as other risks described in the 'Risk Factors' section of each private fund's offering documents. Investors should carefully consider whether an investment in a portfolio including such financial instruments is suitable for them in light of their sophistication, needs, risk appetite and financial condition.

Derivative Contracts. The Firm may recommend its clients to trade in derivative contracts such as futures, options, contracts for differences, portfolio swaps and forward contracts. Derivative contracts may involve additional risks such as sensitivity to additional risk factors, documentation risk, liquidity, short-exposures, embedded leverage, margin calls, position limits and counterparty risks.

Item 9. Disciplinary Information

A. Criminal or Civil Actions

None.

B. Regulatory Actions

None.

C. Self-Regulatory Proceedings

None.

Item 10. Other Financial Industry Activities and Affiliations

A. Broker-Dealer Activity

None.

B. Futures Activity

We trade futures, security futures, options (on broad based indices as well as commodities) and spot foreign exchange for our clients. The Firm is registered with the CFTC as a commodity trading advisor, although it operates all of its accounts pursuant to the exemption from certain disclosure and recordkeeping requirements of CFTC Rule 4.7 applicable to accounts of "qualified eligible persons". As of January 1, 2013, we and our affiliate CFM NA have registered as commodity pool operators for the private fund clients we manage. CFM NA has also registered as a commodity pool operator for certain private funds. We are a member of the National Futures Association and Marc Potters, co-CEO and a member of our board of directors as well as Philip Seager, Head of Directional Strategies, are both registered with the CFTC as associated persons of the Firm.

C. Affiliations

Jacques Saulière, Co-CEO of the Firm, also acts as a director of certain of the private funds advised by the Firm. Similarly, Jacques Saulière acts as a director, president and treasurer of CFM NA, the managing member and the general partner of certain private funds advised by the Firm.

As explained above, CFM NA acts as a managing member or general partner of certain private funds we advise. CFM NA would also be appointed as CPO for these private funds.

D. Selection of Investment Advisers

Not applicable.

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

A. Code of Ethics

The Firm has adopted a Code of Ethics governing personal securities trading by employees for their own benefit and for their related persons. Employees are permitted to maintain personal securities accounts provided that such accounts are disclosed to us and any personal trading is consistent with applicable law and the Code of Ethics. Subject to compliance with the Code of Ethics, employees may buy, sell or hold, for their own personal accounts, securities that we may also buy, sell or hold for our clients.

The Code of Ethics also contains policies and procedures that, among other things:

- prohibit employees from taking personal advantage of opportunities belonging to clients,
- place limitations on personal trading by employees and impose pre-clearance and reporting obligations with respect to trading, and
- require reports of securities holdings and transaction reports by employees.

The Firm's Code of Ethics is available to investors upon request by contacting our Chief Compliance Officer, Martin Tornqvist, at compliance@cfm.fr.

B. Recommendations to clients, or buys or sells for client accounts of securities in which the Firm or a related person has a material financial interest

The Firm and its staff are invested on a pooled basis with external investors in certain private funds we manage. We believe that this aligns the Firm's and its staff's interests with those of clients and view this as a beneficial arrangement.

C. Investing in the same securities (or related securities, e.g., warrants, options or futures) that the Firm or a related person recommends to clients

The Firm historically had a practice to hedge certain currency exposures of its revenue. Although, such hedging activity is not currently taking place, the Firm may in the future hedge such foreign currency denominated revenue using similar futures contracts to those also held by clients.

D. Recommendation of securities to clients, or buys or sells securities for client accounts, at or about the same time that the Firm or a related person buys or sells the same securities for its own (or the related person's own) account

Please see Item 11.B and 11.C above. Any investment or redemption by the Firm or staff in a private fund is processed on the same dealing dates following the same procedure as the subscriptions or redemptions of external investors. The pre-clearance procedure required to be followed by employees when investing in non-exempt financial instruments provides transparency in relation to employees or related persons investing in the same securities as recommended, bought or sold for clients.

Item 12. Brokerage Practices

A. Selecting broker-dealers and evaluating commission levels

We only execute trades electronically over connectivity with brokers and exchanges. Bringing a new execution venue to this electronic infrastructure is a significant project which may take several months of preparation. The Firm maintains an Execution Policy for selecting brokers as well as directing order flow to brokers. The Execution Policy identifies several execution factors for selecting brokers, the most important of which are cost, latency, quality of processing and credit worthiness. In general, we choose the brokers used to trade for private fund clients based on the principle of obtaining best execution while also accommodating our electronic order transmittal and other requirements.

1. Soft Dollars

We do not maintain any soft dollar accounts with brokers. We may, however, from time to time receive research services and/or other services from brokers free of charge. In general, all services we receive from brokers that could be considered soft commissions are within the safe harbor of Securities Exchange Act Section 28(e) but according to our internal policies we may accept other services when they are for the benefit of clients. As of today, the Firm does not to its best knowledge received any soft commissions outside 28(e).

2. Brokerage for Client Referrals

Although we have at times received client referrals from brokers, this would not be a factor for selecting brokers.

3. Directed Brokerage

We only execute trades through brokers with whom our clients have established accounts. Once the client has opened the required accounts and authorizes us to trade in such account on its behalf, we will execute trades only through those brokers who can accommodate our needs and investment style. The private fund clients we advise generally open accounts with the brokers that we recommend, but there could be instances where this does not occur. A client who only processes trades through a sub-set of the available brokers or who appoints a third party broker for its execution or clearing activities may potentially receive less favorable terms than other clients that benefit from the volume discounts as well as processing technology based on the combined volume of our clients.

B. Bunched orders

We generally do not bunch orders of securities transactions for clients. All trades in securities and options are currently allocated pre-trade to one private fund client.

Item 13. Review of Accounts

A. Account Reviews

Our operations staff reconciles all client accounts on a daily basis. The Head of Operations reviews all client accounts on a monthly basis. In addition to continuous monitoring by the various research and production teams, the Investment Committee of the Firm formally reviews the performance of all clients on a monthly basis.

C. Client Reports

The Firm sends monthly and quarterly performance reports to all clients and to investors in private funds. The investors in the private funds receive monthly net asset statements as well as annual audited accounts processed by the funds' administrator. Certain private funds that are listed on the Irish Stock Exchange also publish semi-annual unaudited financial statements.

Item 14. Client Referrals and Other Compensation

The Firm may compensate third parties for prospective advisory client referrals (or referrals of private fund investors) in accordance with applicable law. Written arrangements govern such compensation and are disclosed to referred clients or investors. Generally, such fees would be proportional to the amount invested by the referred advisory client or investor in a private fund during a pre-defined period of time.

As a result of a now discontinued arrangement with Altegris Investments, Inc. ("Altegris") pursuant to which Altegris introduced prospective investors to certain private funds, Altegris has an ongoing right to receive compensation corresponding to 0.50% of the assets under management of such referred investors.

Item 15. Custody

We are deemed to have custody of certain client assets as a result of our authority to deduct advisory fees from certain private fund accounts and through our related person, CFM NA, acting as managing member or general partner of certain private funds. The Firm complies with the custody requirement of the SEC for all U.S. private fund clients by appointing third party qualified custodians to its private fund clients and sending audited financial statements prepared in accordance with US GAAP to all investors in private funds within 120 days of the year-end of the respective private fund. In 2010, a PCAOB registered accountant, KPMG, audited the financial statements of all off-shore client private funds. In 2011, Arthur Bell, CPA, was appointed as auditor of Stratus Feeder LLC. As an advisor with its principal place of business outside the United States, the Firm follows SEC guidance regarding the application of the substantive provisions of the Advisers Act to its business and applies most of those provisions only to its U.S. advisory clients.

Item 16. Investment Discretion

We manage all of our client accounts on a discretionary basis pursuant to investment advisory agreements entered into with each client which include power of attorney. The standard investment advisory agreement grants us discretionary authority to trade for a client's account in accordance with one of our trading programs (currently Discus, ISF or Stratus). The Investment advisory agreements include indemnities in favour of the Firm. Clients usually retain the authority to appoint counterparties and service providers (such as executing brokers, clearing brokers, custodians, administrators, etc). In the case of private funds, the directors of the funds may authorize certain named staff of the Firm to conduct cash transfers required to support the trading activity and the day to day operations of the fund.

We strongly prefer to treat similarly every client following a specific investment program. Due to tax, regulatory or other specific needs, we may agree with certain clients to exclude certain instruments or modify the applied trading program. Such adjustments are usually exclusions of instruments from the pool and would only account for a minor part of the trading universe.

Item 17. Voting Client Securities

Proxy Voting. Except in special situations where it is believed that proxy voting may have a material impact on the value of the clients' investments and where securities are held in a way that allows for voting, the Firm has a policy not to exercise proxy rights and not to vote. The Firm's voting policy is available to investors upon request. An advisory client may obtain a record of the Firm's voting for such client, if any, by contacting our Chief Compliance Officer, Martin Tornqvist, at compliance@cfm.fr

Class Actions. Except in special situations where it is believed that participating in a class action may have a material impact on the value of the clients' investments, the Firm has a policy not to participate in class actions.

Item 18. Financial Information

A. Balance Sheet

Not applicable.

B. Financial Condition

We are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

C. Bankruptcy Petitions

Not applicable.

Item 19. Requirements for State-Registered Advisers

Not applicable.