



**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 or at [us-lyxor-compliance@lyxor.com](mailto: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](http://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 31, 2022

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## Item 2. Material Changes

The following material changes have been made to this Part 2A of Form ADV since our last annual amendment in March 2021.

- Item 4: We've updated the ownership structure of Lyxor Asset Management Inc. ("**Lyxor US**"), noting that as of December 31, 2021, Société Générale S.A. sold its ownership interest in Lyxor US's former parent company, Lyxor Asset Management S.A.S., to Amundi Asset Management (the "**Transaction**") and, upon internal reorganization, Lyxor US became a wholly owned subsidiary of Amundi Holdings US, Inc.
- Item 5: We've updated information regarding our fees and compensation, in particular with respect to Lyxor US Funds (as defined in Item 4), our expense allocation process, and distribution fees and expenses.
- Item 8: We've updated our risk disclosures, and in particular added disclosure regarding the migration of our information technology and data infrastructure in connection with the Transaction.
- Item 10: We've updated information regarding our financial industry affiliations and conflicts of interest.
- Item 11: We've updated information regarding our code of ethics and personal trading policies.

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## Item 4. Advisory Business

Below are certain key definitions used in this brochure.

<u>Term</u>	<u>Definition</u>
“Lyxor US,” “Firm,” “we,” “us” or “our”	Lyxor Asset Management Inc.
“Lyxor S.A.S.”	Lyxor Asset Management S.A.S.
“Lyxor US Fund”	A private investment fund which is managed and/or sponsored by Lyxor US.
“Lyxor S.A.S. Fund”	A private investment fund which is advised, managed, sub-managed, and/or sponsored by Lyxor S.A.S.
“Lyxor Funds”	Includes the Lyxor US Funds and the Lyxor S.A.S. Funds.
“LIAM”	Lyxor International Asset Management S.A.S.
“External Fund Managers”	Unaffiliated third-party investment managers who advise External Funds, special purpose vehicles, or other investment opportunities.
“External Funds”	Investment funds recommended by Lyxor US to Clients (as defined on page 5) which are not managed by Lyxor US or Lyxor S.A.S. but are advised by unaffiliated third-party investment managers.
“Funds”	Includes the Lyxor Funds and External Funds.
“Trading Advisors”	Unaffiliated third-party investment managers who sub-advise Lyxor US Funds or Lyxor S.A.S. Funds subject to a trading advisory agreement.

Lyxor US, a Delaware corporation, is a wholly owned subsidiary of Amundi Holdings US, Inc. Prior to December 31, 2021, Lyxor US was an indirect wholly owned subsidiary of Lyxor S.A.S., which itself was an indirect wholly owned subsidiary of Société Générale S.A. Effective December 31, 2021, Société Générale S.A. sold its ownership interest in Lyxor S.A.S. to Amundi Asset Management (the “**Transaction**”) and, upon internal reorganization, Lyxor US became a wholly owned subsidiary of Amundi Holdings US, Inc.

Amundi Holdings US, Inc. is a wholly owned subsidiary of Amundi Asset Management S.A.S. Amundi Asset Management S.A.S. is a wholly owned subsidiary of Amundi S.A. Amundi S.A. is controlled by Credit Agricole S.A., a French credit institution. Credit Agricole S.A. and its affiliates currently hold approximately 70% of the share capital of Amundi S.A.

Our investment advisory services primarily focus on providing advice regarding, and access to, alternative strategies and cash management. These services may include advice on asset allocation for a portfolio of alternative investments, management of high quality liquid assets, and often include helping to define investment objectives, guidelines, and/or risk parameters.

The form in which we offer these services regarding alternative strategies may include acting as investment adviser on a discretionary or non-discretionary basis to portfolios of direct fund investments into External Funds, through separately managed accounts, and/or otherwise acting as manager, sponsor or in a similar capacity for Lyxor US Funds. The Lyxor US Funds may be sub-advised by one or more Trading Advisors. These accounts and Funds are our advisory clients and are collectively referred to herein as “**Alternative Investment Clients**” and each, an “**Alternative Investment Client**.”

In addition, we offer cash management services in the form of separately managed accounts (such accounts, “**Cash Management Clients**”). Alternative Investment Clients and Cash Management Clients are collectively referred to herein as “**Clients**” and each, a “**Client**.” We describe more fully the services we provide to each type of Client below.

#### Lyxor US Funds

As noted above, we serve as the “Manager” or “Sponsor” of the Lyxor US Funds. A Lyxor US Fund may be dedicated to multiple investors or to a single investor. We have discretionary authority for each Lyxor US Fund and, for each such fund, we typically (i) delegate such authority to a Trading Advisor, (ii) retain trading discretion in whole or in part, and/or (iii) offer investors an opportunity to opt-in/opt-out of specific investment opportunities. In all cases, we retain management and certain other responsibilities for the Lyxor US Funds. These retained responsibilities typically include cash management (as described in Item 16 below) and risk oversight.

Lyxor US Funds for which we retain discretionary authority may invest in External Funds or co-investment opportunities advised by External Fund Managers. When we delegate trading authority over a particular Lyxor US Fund to a Trading Advisor, the Trading Advisor will often have broad investment authority over such Fund, subject to oversight by, and certain rights of, Lyxor US. Typically, a Trading Advisor is tasked with implementing an alternative investment strategy for a Lyxor US Fund which is similar to strategies implemented by such Trading Advisor for one or more other accounts or funds already managed by such Trading Advisor. Despite this delegation of trading authority to the Trading Advisor, the trading strategy of the Lyxor US Fund will typically be modified by investment or risk guidelines or restrictions that we have imposed for such Fund. Such guidelines or restrictions may be developed in-house or customized on a case-by-case basis in consultation with the particular client for whom the Lyxor US Fund was established. The strategies implemented, and the instruments used, by a Trading Advisor for a particular Lyxor US Fund are more robustly described in such Fund’s offering materials and/or the trading advisory agreement with such Trading Advisor (as applicable, the “**Offering Documents**”). For more information, please see Item 8 below.

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## Assets Under Management

As of December 31, 2021, Lyxor US' regulatory assets under management ("RAUM") was \$27,374,886,272, of which \$24,152,258,073 was managed on a discretionary basis and \$3,222,628,199 was managed on a non-discretionary basis.

### **Item 5. Fees and Compensation**

We have not implemented a basic fee schedule that uniformly applies to our investment products or Clients. Instead, fees are negotiable depending on the nature of the particular investment product or program to be undertaken on behalf of each Client.

Below we provide certain additional details about our fees. The fees and compensation payable to the Firm are described in its advisory contracts with its Clients. All Clients are "qualified purchasers" (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended).

Clients may be charged a management fee, a consulting fee calculated as a percentage of assets under management or as a flat fee or on another negotiated basis, and/or a performance-based fee generally calculated as a percentage of any new capital appreciation on assets. Such fees are negotiated on a case-by-case basis and depend upon the range of services provided. Management and consulting fees are generally payable monthly or quarterly in arrears, though particular fee schedules, including with respect to performance-based fees, may vary for each Client.

Depending upon the particular arrangement agreed upon with a Client, fees may be invoiced to such Client or deducted from such Client's account.

#### *Lyxor US Funds:*

Lyxor US Funds are subject to various fee arrangements which may include management and performance-based fees payable to Lyxor US. These fees, if applicable, are generally payable in arrears and are often deducted from the accounts of such funds; however, we may agree to invoice an investor in a single investor/dedicated Lyxor US Fund instead of deducting fees directly from such fund.

In addition, the Lyxor US Funds that are sub-advised by Trading Advisors are charged advisory fees (calculated as a percentage of assets) and, if applicable, performance/incentive-based fees (generally calculated as a percentage of any new capital appreciation on assets) which are payable in full to the Lyxor US Funds' respective Trading Advisors. Fees charged with respect to an investment in each respective Lyxor US Fund will be set forth in more detail in such fund's Offering Documents or relevant management agreement, which should be reviewed carefully by investors in such Funds.

#### *Fees Paid to Underlying Funds:*

When we recommend to Alternative Investment Clients investments in External Funds or investment opportunities advised by External Fund Managers, such Clients may be subject to the management fees and/or performance/incentive-based fees charged by such

unaffiliated third-party investment managers in addition to our fees charged at the Client level. Any such performance/incentive-based fees are generally payable to such third-party investment managers (i) at the end of any performance period (either quarterly or annually, depending upon the private fund), with respect to the performance of the Client's investment during such performance period, and (ii) upon the Client's withdrawal of its investment from a private fund with respect to the withdrawn amount. These performance-based fees generally will be calculated based on the net asset value of the relevant External Fund or investment opportunities, and will be based on unrealized as well as realized appreciation of assets.

*Fees Paid to Lyxor S.A.S. Funds:*

When we recommend that an Alternative Investment Client invest in a Lyxor S.A.S. Fund, such Client may be subject to the (x) management fees and (y) performance-based fees charged by the Lyxor S.A.S. Fund, subject to any rebate of such fees that may be agreed to with such Client by the Firm or Lyxor S.A.S. If not rebated, any such fees payable to Lyxor S.A.S. will be specifically disclosed to applicable Clients.

Expenses

Descriptions of the types of expenses that will be charged to Clients will be provided in the relevant advisory contracts for each Client.

*Expenses Charged to Lyxor US Funds Generally:*

Each Lyxor US Fund is generally subject to, and charged, expenses related to the organization and operation of such fund (including any such expenses incurred for the benefit of such fund), including, but not limited to, legal, auditing, accounting, consulting and other professional expenses; administration expenses and fees; research expenses; investment expenses; order management system expenses; directors' and officers' liability insurance; brokerage and trading expenses; custodial fees; bank and wire service transaction fees; applicable regulatory compliance and 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; 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 Documents or relevant management agreement for the relevant Lyxor US Fund, and Clients are urged to read such documents carefully.

*Allocations of Expenses:*

Expenses, to the extent allocable, are generally allocated to all or certain Lyxor US Funds on a basis that is fair and equitable to such funds in accordance with the Firm's expense allocation policy, which is overseen and implemented by the Firm's Expense Allocation Committee. Depending on the facts and circumstances related to a given expense, the Firm may allocate the expense (i) on a *pro rata* basis based on the assets under management of each participating Lyxor US Fund, (ii) on a *pro rata* basis based on each Lyxor US Fund's share of an investment (if applicable), or (iii) using some other equitable method in which expenses may be divided equally among the relevant Lyxor US Funds regardless of their relative assets under management. The Firm will not allocate an expense to a particular

Lyxor US Fund to the extent such allocation is prohibited by such fund's governing documentation, any applicable contractual arrangement, or otherwise due to legal or regulatory reasons. Additional information relating to the fees and expenses the Firm charges Clients, other than Lyxor US Funds, will be provided in the respective advisory contracts for such Clients.

*Expenses Charged Regarding Investments in External Funds:*

In addition to fees and expenses charged by Lyxor US in relation to Lyxor US Funds, Clients are also subject to expenses charged to the External Funds in which such Clients may invest related to the operation of such External Funds. 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 expenses (if any).

*Distribution Fees and Expenses:*

Certain of our employees are also registered representatives of Amundi Distributor US, Inc., an affiliate which is registered with the SEC as a broker-dealer ("**Amundi Distributor**"). In their capacity as registered representatives of Amundi Distributor, such employees may solicit investors to invest in private funds managed or advised by the Firm or its affiliates. While our affiliates or the Firm may provide compensation for expenses (or otherwise as agreed) to Amundi Distributor in connection with services provided to such affiliates or the Firm (as applicable), such compensation generally does not include transaction-based compensation to individual registered representatives relating to any recommendations of a private fund to investors.

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

As stated in Item 5 above, we may charge performance-based fees to Clients depending upon the terms and conditions of our advisory agreement with such Client. In the event that we receive any such performance-based fees, the fact that we are compensated based on trading profits creates an incentive for us to recommend private funds or investment opportunities that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based fees we receive are based primarily on realized and unrealized gains and losses. As a result, the performance-based fees we earn could be based on unrealized gains that Clients may never realize. In addition, we have an incentive to recommend private funds or other investment opportunities, as applicable, to Clients that are subject to performance-based fees payable to Lyxor US over other Clients who are not subject to performance-based fees. Lyxor US has developed policies regarding allocations between its Clients to address such conflicts of interest. See Item 12 below for additional information.

We may in the future accept new client accounts that pay less in fees than some or all current Clients. Although we have an incentive to allocate investment opportunities to Clients subject to higher fees, we owe fiduciary duties to each of our Clients and will in all of our dealings take these fiduciary duties into account.

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## **Item 7. Types of Clients**

We provide investment advice to institutional clients typically through the Lyxor US Funds, separately managed accounts, or by providing advice with respect to an Alternative Investment Client's portfolio of External Fund investments. 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.

To the extent applicable, the Offering Documents for each specific Lyxor US 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

With respect to Alternative Investment Clients where we utilize a "customized portfolio" approach, we recommend investments in Lyxor Funds and/or External Funds or investment opportunities depending on such Client's particular investment objectives. When advising such 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 higher-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.

Our alternative investment advisory services seek to identify both (i) potential Trading Advisors to sub-advise Lyxor US Funds or separately managed accounts and/or (ii) potential External Funds or other co-investment opportunities to recommend to Alternative Investment Clients through our staff's professional networks, as well as through various industry channels, including, without limitation, vendor databases, attendance at capital introduction conferences, Bloomberg lists, hedge fund alerts, and discussions with industry participants. Our methods of analysis in selecting Trading Advisors and External Funds and investment opportunities for recommendation to such Clients include quantitative and qualitative analysis. In addition, we evaluate prospective External Funds, co-investments, and Trading Advisors 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 strategy; portfolio composition (to the extent provided or otherwise reasonably available); information obtained through personal interviews and literature; and political, market and economic factors.

With respect to the Cash Management Clients, the investment process is typically both model- and manager-driven. The portfolio management team responsible for the cash management activity uses a model to create a baseline allocation of assets based on a number of objective criteria. This model is then used to guide the portfolio management team's decision-making process, while maintaining the ability to override the proposed allocation based on qualitative factors, overall portfolio construction, macroeconomic trends, and other relevant considerations. This model, rebalanced on a monthly basis, considers market inputs and risk constraints applicable for the given month and provides an allocation of eligible assets, taking into account items such as asset liquidity, ESG constraints (with regard to certain mandates), issuer type, and asset type.

#### *Lyxor US Funds:*

As noted above, we serve as the "Manager" or "Sponsor" for Lyxor US Funds for which we have (i) delegated discretionary authority to a Trading Advisor, (ii) retained trading discretion in whole or in part, and/or (iii) offered investors an opportunity to opt-in/opt-out of specific investment opportunities. We retain management and certain other responsibilities, including, among other things, cash management (as described in Item 16) and risk oversight, with respect to the Lyxor US Funds. The Trading Advisors will often have broad investment authority over the Lyxor US Funds (subject to certain rights of Lyxor US) for which we have delegated trading authority, and are typically tasked with implementing a strategy for such Lyxor US Fund which is similar to one or more other accounts or funds already managed by such Trading Advisor, as modified by the investment and risk guidelines and restrictions imposed by Lyxor US. The Trading Advisors, with respect to the Lyxor US Funds, typically utilize one or more alternative investment strategies. Such strategies include, without limitation: long/short equities, long/short credit, distressed securities, market neutral, commodities trading, managed futures, event driven and global macro (including emerging market equities, rates, fixed income and currencies). The Trading Advisors 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. Clients should be aware that investing in a Fund entails risks specifically applicable to such Fund, and accordingly all investors (and prospective investors) are urged to review, if applicable, the Fund's offering materials and the risk disclosures found therein in addition to the risks noted below.

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

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*General Risks Applicable to All Clients:*

Clients should be aware that any investment in (a) any portfolio recommended or managed by Lyxor US and/or (b) any Lyxor US Fund, External Fund, or co-investment is subject to significant risks, including total loss of capital. Clients should consider the following risk factors:

- **No Guarantee that Investment Objectives Will Be Achieved; No Guarantee against Loss.** No assurance can be given that a Client will achieve its overall investment objectives. There can be no assurance that Lyxor US will be able to recommend investments to the Client account in a manner that is profitable, and there is no guarantee against loss of the account assets. Any Client may lose some or all of its investment.

- **Reliance on Lyxor US and the Trading Advisors and/or the External Fund Managers.** The success of a Client's account is dependent on the judgment and abilities of Lyxor US in managing investments for the Client's account and, where applicable, in selecting and monitoring the performance of Trading Advisors and/or External Funds and co-investment opportunities and on their ability to generate positive performance. Clients usually do not have the opportunity to evaluate fully the relevant economic, financial, and other information regarding their account's investments. Clients are dependent on the judgment and abilities of Lyxor US, the Trading Advisors, and the External Fund Managers. There is no assurance that Lyxor US, the Trading Advisors, the External Fund Managers, or the investments or funds recommended or advised by such parties, will be successful.

Although our officers, key employees, consultants and principals will devote as much of their time to such Clients as they deem necessary or appropriate, 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. 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.

- **Past Performance Not Indicative of Future Performance.** The past performance of Lyxor US or any funds managed by Lyxor US or its affiliates, Trading Advisors, or External Fund Managers, or other cash accounts managed by affiliates of any of the foregoing, is not necessarily indicative of future results of a Client's investment.

- **Lack of Diversification.** A Client's account might not be diversified. An Alternative Investment Client's account, in particular, may have periods where it is invested in none, one, or only a few Funds or investment strategies. In addition, the investments in which a 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

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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. The Trading Advisors and External Fund Managers 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 such advisers and managers. Doing so may cause concentration of investments for an Alternative Investment Client, cancelling out of positions between Funds in which such Client is invested, and/or additional fees and expenses to be borne by such Client without any marginal benefit.

- **Monitoring Trading Advisors and External Fund Managers.** Lyxor US must ultimately rely on each Trading Advisor and External Fund Manager to operate in accordance with the investment strategy and guidelines laid out by such adviser or manager's investment vehicle, or, in respect of Lyxor US Funds that are sub-advised by a Trading Advisor, as agreed to with such Trading Advisor. Lyxor US may be subject to certain transparency restrictions regarding the activities of a Trading Advisor or External Fund Manager, and, in certain circumstances, may need to rely on such adviser or manager to self-report instances in which they are in breach of any applicable investment guidelines or restrictions to which they have agreed to comply with. If a Trading Advisor or External Fund Manager does not operate in accordance with its investment strategy or guidelines, an Alternative Investment Client's account may sustain losses with respect to some or all of its investments despite Lyxor US's attempt to monitor the investment.

- **Limitation of Effectiveness of Due Diligence.** Lyxor US' investment selection process cannot ensure that selected Funds, Trading Advisors, External Fund Managers or co-investment opportunities will perform as desired, and Lyxor US will have no control over the day-to-day operations supporting any of the Trading Advisors or External Fund Managers. There can be no assurance that Trading Advisors or External Fund Managers will conform their conduct to the desired standards. There is a risk that Trading Advisors or External Fund Managers 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 adviser or manager.

- **Investments in Funds.** Investments in Funds managed by Lyxor US, Trading Advisors, and External Fund Managers 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. Lyxor US, Trading Advisors, and External Fund Managers 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, Lyxor S.A.S., LIAM, each of their affiliates, Trading Advisors, and External Fund Managers all rely heavily on information technology and data management systems, which can fail or be

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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 their respective 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, Lyxor S.A.S., LIAM, each of their affiliates, Lyxor US Funds, Trading Advisors, and/or External Fund Managers 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, Lyxor S.A.S., LIAM, each of their affiliates, Lyxor US Funds, Trading Advisors, and/or External Fund Managers to civil liability as well as regulatory inquiry and/or action.

Lyxor US, Lyxor S.A.S., LIAM, each of their affiliates have in place, and Lyxor US performs due diligence on Trading Advisors and External Fund Managers regarding, 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 or remedy the breach, or to mitigate any harm from 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 in this manner or implement adequate protections.

Due to the Transaction, the Firm is in the process of migrating its information technology and data infrastructure. This creates increased risk with respect to the transition of the Firm's business and ability to function as it would under normal circumstances, including heightened risk of technological failures with respect to systems and processes (whether proprietary or provided by third-party vendors) supporting the Firm's activities. The Firm has taken steps to mitigate these risks, however, there is no guarantee that such migration will not impact or disrupt the Firm's business operations.

- **Epidemics and Pandemics.** Many countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and, currently, COVID-19. The epidemic or pandemic outbreak of an infectious disease in a country or region of the world or globally, together with any resulting restrictions on travel, transportation or production of goods or quarantines imposed, could have a negative impact on the national, regional or global economy

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and business activity in any of the geographic regions in which a Client's investments have exposure and thereby adversely affect the performance of such Client's investments. While the economic impact of the ongoing global outbreak of the COVID-19 is presently uncertain, such outbreak and any future outbreak of an infectious disease or any other serious public health concern in a country, region or globally could materially harm a Client's investments. In addition, COVID-19 has led to significant volatility in the securities markets and COVID-19 and any future outbreak of an infectious disease or any other serious public health concern may lead to additional volatility and/or illiquidity of a Client's investments. Furthermore, in response to the recent COVID-19 outbreak, the Firm, Trading Advisors, External Fund Managers, each of their service providers, and Clients' other services providers implemented business continuity plans. While operating under such contingency plans, interruptions in normal business activity of the Firm, Trading Advisors, External Fund Managers, each of their service providers, and Clients' other service providers could negatively affect the performance of a Client's investments. In particular, the imposition of travel restrictions during this time can impact the ability of the Firm's personnel to travel in connection with due diligence of existing or potential Trading Advisors or External Fund Managers, and may similarly impact the ability of such advisor's or manager's personnel to travel to conduct research and diligence on existing or prospective investments, which could negatively impact the ability of such parties to effectively identify, monitor, operate and dispose of investments. Future outbreaks of other infectious diseases or any other serious public health concerns may lead to similar disruptions.

- **Risk of Emerging Global Events.** As global systems, economies and financial markets are increasingly interconnected. Events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region, or financial market will, more frequently, adversely cause impacts in other countries, regions, or markets. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. Clients will be negatively impacted if the value of their investments decreases as a result of such events; if these events adversely impact the operations and effectiveness of the Firm, a Trading Advisor, an External Fund Manager, or a key service provider of the foregoing; or if these events disrupt systems and processes necessary or beneficial to the management of a Client's account. Furthermore, Trading Advisors, and External Fund Managers, and the service providers on which they and the Firm may rely upon, may be located throughout the globe and may be impacted by certain events isolated to their location, in which case such events can materially and adversely affect a Client's financial condition and investments.

*Additional Risks Applicable to Investments in Lyxor Funds:*

In addition to the foregoing risks applicable to all Clients, the risks set forth below are with respect to the investment strategies of one or more Lyxor Funds. Such risks are not a complete explanation of all the risks involved in investments in a Lyxor Fund. In addition, an investment in one Lyxor Fund does not necessarily entail exposure to all of the risks listed below. We urge investors in (and prospective investors of) a Lyxor Fund to carefully review

the Offering Documents for such Lyxor Fund for a description of the strategy, business and other risks specific to such Lyxor Fund.

- **Equities.** A Lyxor Fund may invest a portion of its assets in, or have exposure to, equity securities. While the Trading Advisor or External Fund Manager may believe investing in equity securities provides attractive trading opportunities, many factors could adversely impact the value of such equity securities and cause the Lyxor 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 Lyxor 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 Lyxor Fund may engage in, or have exposure to, 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 Advisor, the External Fund Manager, or the Lyxor Fund and no assurance can be given that the Trading Advisor’s or External Fund Manager’s advice will result in profitable trades for the Lyxor Fund or that the Lyxor Fund will not incur substantial losses.
- **Forward Trading.** A Lyxor Fund may enter into, or have exposure to, forward contracts. A forward contract is a contractual obligation to buy or sell a specified quantity of a commodity at or before a specified date in the future at a specified price and, therefore is similar to a futures contract, but generally is unregulated. Forward contracts and options thereon, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. There is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain commodities or have quoted prices with an unusually widespread between the price at which they were prepared to buy and that at which they were prepared to sell. In addition, because forward contracts are not traded on an exchange, the Lyxor Fund’s account will be subject to the risk of counterparty and systemic defaults.

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- **Use of Leverage.** A Lyxor Fund may use, or have exposure to, leverage as a part of its strategy. Leverage may involve borrowing assets to increase investment exposure. In addition, the Lyxor Fund may invest in or have exposure to derivatives which are inherently leveraged. Leverage increases the exposure that the Lyxor 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 Lyxor Fund not used or been exposed to leverage. In addition, the Lyxor Fund will directly or indirectly pay for any leverage it uses or is exposed to and, therefore, if the investment fails to earn a return that equals or exceeds the fund's cost of leverage, the relevant position will result in a loss to the Lyxor Fund.
  - **Distressed Securities.** A Lyxor Fund may invest in, or have exposure to, distressed securities, including loans, bonds and notes of companies that are in financial distress and/or that are in, or about to enter, bankruptcy as well as distressed sovereign debt obligations. 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 Advisor's or External Fund Manager's evaluation of the risks and anticipated outcome of an investment in a distressed security should prove incorrect, the Lyxor 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.
  - **Sovereign Debt.** A Lyxor Fund may invest in, or have exposure to, "distressed" sovereign debt obligations. There are additional, particular risks related to the investment and trading of these instruments. These risks include the uncertainties involved in enforcing and collecting debt obligations against sovereign nations. The ability to enforce and collect obligations against foreign sovereigns may be affected by world events, changes in U.S. foreign policy, and other factors outside the control of the Lyxor Fund.
  - **Special Situations.** A Lyxor Fund may invest in, or have exposure to, companies involved in (or that are 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 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 of the security or other financial instrument in respect of which such distribution is received. In any such case, the Lyxor 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

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special situations, there is a potential risk of loss by the Lyxor Fund of its entire investment or exposure in such companies.

- **Short Selling.** A Lyxor Fund may engage in, or have exposure to, 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 Lyxor Fund effects, or has exposure to, 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 Lyxor Fund may pursue relative value strategies by taking, or having exposure to, long positions in securities believed by the Trading Advisor or External Fund Manager to be undervalued and short positions in securities believed by such advisor or manager to be overvalued. In the event that the perceived timings and/or mispricings underlying the Lyxor Fund's trading positions or exposures were incorrect, the Lyxor Fund may incur a loss.

- **Investments in Emerging Markets.** A Lyxor Fund may invest, or have exposure, primarily in non-U.S. markets. Investing in the instruments of issuers from certain non-U.S. jurisdictions involves considerations not usually associated with investing in instruments of U.S. issuers, including political and economic considerations, such as greater risks of expropriation and nationalization of assets or confiscatory taxation, the potential difficulty of repatriating funds and general social, political and economic uncertainty and/or instability.

- **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

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arbitrage, debt spread arbitrage and index arbitrage. A Trading Advisor or External Fund Manager 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 Lyxor Fund is employing, or has exposure to, leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads,” which can also be identified, reduced or eliminated by other market participants.

- **Non-U.S. Securities.** Investing in securities of non-U.S. governments and companies 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.

- **Trading on Exchanges Outside of the United States.** A Lyxor Fund may trade, or have exposure to, futures interests and other financial instruments on exchanges located outside of the United States, where the protections of the U.S. securities and derivatives regulations do not apply. For example, some non-U.S. exchanges are “principals’ markets” in which performance with respect to a transaction is the responsibility only of the individual member with whom the trader has entered into the contract and not of the exchange or clearinghouse. Accordingly, the Lyxor Funds are subject to the risk of the inability of or refusal by counterparties to perform certain obligations with respect to their contracts with the fund. The Lyxor Fund may also not have the same access to certain trades as do various other participants in non-U.S. markets.

- **Interest Rate Risk.** A Lyxor Fund may be subject, or have exposure, 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 Lyxor Fund (or the External Fund in the case of a Lyxor Fund’s investment in an External 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 Advisor or External Fund Manager will be successful in fully mitigating the impact of interest rate changes on the portfolios.

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- **Derivative Instruments.** A Lyxor Fund may make use of, or have exposure to, swaps, futures, options, forwards (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.

- **Options.** A Lyxor Fund may buy or sell, or otherwise have exposure to, 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 Advisor or External Fund Manager will correctly value the Lyxor Fund's options positions; consequently, substantial losses could be incurred by the Lyxor Fund.

- **Swap Agreements.** A Lyxor Fund may enter into, or have exposure to, 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 Lyxor 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 Lyxor Fund may not be limited to any particular form of swap agreement if consistent with the Lyxor Fund's investment restrictions.

Swap agreements tend to shift a Lyxor Fund investment exposure from one type of investment to another. For example, if a Lyxor Fund agrees to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would

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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 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 Lyxor Fund (or an External Fund in the case of a Lyxor Fund's investment in an External Fund). If a swap agreement calls for payments by a Lyxor Fund (or an External Fund, as applicable), 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 Lyxor Fund (or an External Fund in the case of a Lyxor Fund's investment in an External 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 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 Lyxor Fund may enter into, or have exposure to, privately negotiated swaps that will not be subject to clearing. These noncleared swap (*i.e.*, traditional OTC swaps) may expose the 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 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 Lyxor 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.

- **Risk of Loss Due to the Bankruptcy or Failure of Counterparties, Brokers and Exchanges.** A Lyxor Fund is subject to the risk of the insolvency of its counterparties (or, in the case of a Lyxor Fund's investment in an External Fund, the risk of the insolvency of such External Fund's counterparties), such as, but not limited to, broker-dealers, FCMs, banks and other financial institutions, exchanges and clearinghouses. The Lyxor Fund capital could be lost or impounded during a counterparty's bankruptcy or insolvency proceedings and a substantial portion or all of the Lyxor 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

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or the Trading Advisor, or an External Fund Manager in regard to a Lyxor Fund's investment in an External Fund, might decide to liquidate the Lyxor Fund, or such External Fund (as applicable), or suspend, limit or otherwise alter trading, perhaps causing the Lyxor 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 Lyxor Fund or External Fund, as applicable, may only recover, even in respect of property specifically traceable to such fund's account, 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.** Lyxor Funds that have, or are exposed to, investments 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 Lyxor Fund may invest in, or have exposure to, 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, Lyxor Funds may lose some or all of their investment in connection to corporate debt obligations.

- **High Yield Securities.** A Lyxor Fund may invest in, or have exposure to, "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 Lyxor Fund's investment program may involve frequent trading, which may result in higher investment costs and charges to such fund.

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- **Adverse Rating Actions.** Lyxor Funds may purchase, or have exposure to, investments rated by one or more nationally recognized statistical rating organizations. In the credit crisis beginning in 2007, various rating agencies downgraded thousands of classes of securities. Adverse rating actions with respect to such investments would be likely to reduce the market value of those investments and may affect the ability to sell them.

- **Liquidity Risk.** A Lyxor Fund may invest in, or have exposure to, both liquid and illiquid investments, and it is possible that a Lyxor Fund's portfolio may become less liquid or illiquid over time. In such an event, such Lyxor Fund may hold investments for which no (or only a limited) liquid market exists and that lack a readily assessable market value or are otherwise not subject to objective valuation. The market prices, if any, for such investments tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict and may not exist. The Lyxor Fund (or External Fund in which a Lyxor Fund invests) may not be able to readily dispose of such less liquid or illiquid investments and there can be no assurance that the Lyxor Fund (or External Fund) will be able to realize what the fund's respective Trading Advisor or External Fund Manager believes to be the fair value of the instruments in the event of a sale. Accordingly, the ability to respond to market movements may be impaired and the Lyxor Fund may experience adverse price movements upon liquidation of such investments. Settlement of transactions may be subject to delay and administrative uncertainties. In addition, in times of extreme market disruption, there may be no market at all for one or more such instruments, potentially resulting in the inability to dispose of its investments for an indefinite period of time.

*Risks Applicable to Funds and Cash Management Clients:*

- **U.S. Government Securities.** For Cash Management Clients, Lyxor US may invest in "U.S. government securities." U.S. government securities are debt securities issued or guaranteed by the U.S. Treasury, by agencies of the U.S. government, or by various instrumentalities that have been established or sponsored by the U.S. government. U.S. Treasury securities are backed by the full faith and credit of the U.S. government, meaning that the U.S. government is required to repay the principal in the event of default. Other types of securities issued or guaranteed by federal agencies and U.S. government-sponsored instrumentalities may or may not be backed by the full faith and credit of the U.S. government. The market price of U.S. government securities is not guaranteed and investments in U.S. government securities can lose money.

For securities not backed by the full faith and credit of the U.S. government, ultimate repayment will be made by the agency or instrumentality issuing or guaranteeing the obligation. An investor in agency securities may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its payment obligation. U.S. government agencies that issue or guarantee securities include, for example, the Government National Mortgage Association, the Export-Import Bank of the United States, the Federal

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Housing Administration, the Maritime Administration, the Small Business Administration, and the Tennessee Valley Authority.

An instrumentality of the U.S. government is a government agency organized under federal charter. Some instrumentalities issuing or guaranteeing securities include, the Federal Deposit Insurance Corporation, the Federal Home Loan Banks, and the Federal National Mortgage Association

- **Commercial Paper.** For Cash Management Clients, Lyxor US may invest in Commercial Paper. “Commercial Paper” is a short-term, unsecured promissory note issued by a corporation. It is usually sold on a discount basis and has a maturity at the time of issuance not exceeding 12 months. Commercial paper may suffer from reduced liquidity due to certain circumstances, including times of significant market stress. In addition, as with all fixed income securities, an issuer may default on its commercial paper obligation. The short-term nature of commercial paper makes it less susceptible, but still subject to, interest rate risk because interest rate risk typically increases as maturity lengths increase. Additionally, some issuers expect to repay commercial paper obligations at maturity from the proceeds of the issuance of new commercial paper. As a result, a commercial paper investment is subject to the risk the issuer cannot issue enough new commercial paper to satisfy its outstanding commercial paper payment obligations, also known as rollover risk.

- **Debt/Fixed Income Securities.** For Cash Management Clients, Lyxor US may invest in various debt or fixed income securities. Fixed income securities are subject to a variety of risks, such as interest rate risk, income risk, call risk, prepayment risk, extension risk, inflation risk, credit risk, liquidity risk, and (in the case of foreign securities) country risk and currency risk. The reorganization of an issuer under federal bankruptcy laws or an out-of-court restructuring of an issuer’s capital structure may result in the issuer’s debt securities being cancelled without repayment.

## Item 9. Disciplinary Information

On June 4, 2018, Lyxor US entered into a settlement agreement with the SEC relating to a 2012 agreement Lyxor US entered into with third-party advisers that managed funds in which certain Lyxor US clients had invested. That agreement had a provision for payments to be made to Lyxor US based on the total amount of client assets placed or maintained in certain funds managed by the third-party advisers. Lyxor US did not seek payment under the agreement but in 2013 one payment was made by the third-party advisers to Lyxor US’ then-parent company in Paris, Lyxor S.A.S. In 2015, Lyxor US rebated all moneys related to the agreement, plus interest, to the relevant clients. Lyxor US subsequently undertook a review confirming that no similar agreements exist with other third-party advisers and enhanced its policies and procedures relating to side letter agreements with third-party advisers. Under the terms of the settlement with the SEC, Lyxor US agreed to cease-and-desist from future violations of certain provisions of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”), and to pay a \$500,000 penalty.

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## Item 10. Other Financial Industry Activities and Affiliations

Certain of Lyxor US' employees are registered with the National Futures Association (the "**NFA**") as associated persons ("**Associated Persons**"). Lyxor US is registered with the NFA as a commodity pool operator with respect to some, but not all, of the Lyxor US Funds. Such funds are typically operated in reliance on exemptions available under Commodity Futures Trading Commission Rule 4.7 or Rule 4.13(a)(3).

We have a number of arrangements with related persons that are material to our advisory business and/or our Clients, including:

- **Broker-dealer:** Amundi Distributor, a wholly owned subsidiary of Amundi US, Inc., is a broker-dealer registered with the SEC and is a member of the Financial Industry Regulatory Authority and may serve as broker-dealer to certain Lyxor Funds.
- **Participating Affiliates:** Each of Lyxor S.A.S. and LIAM 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 each of Lyxor S.A.S. (the "**Lyxor S.A.S. PAA**") and LIAM (the "**LIAM PAA**"), in order to utilize the resources and capabilities of certain personnel of Lyxor S.A.S. and LIAM to provide investment advice to Clients. Lyxor S.A.S. provides us with research that we may use to identify and recommend Trading Advisors or External Funds or co-investment opportunities to Clients; and LIAM provides us with research and portfolio management services that we may use to provide cash management services to Clients. In addition to, or instead of, each of the Lyxor S.A.S. PAA and LIAM PAA, Lyxor US may enter into similar participating affiliate arrangements from time to time with affiliates other than Lyxor S.A.S. and LIAM. The Lyxor S.A.S. PAA and LIAM PAA have, respectively, the practical effect of requiring certain Lyxor S.A.S. and LIAM personnel to comply with 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. and LIAM 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 certain obligations found in our Code of Ethics adopted pursuant to Rule 204A-1 under the Advisers Act. See Item 11 for more information on our Code of Ethics.
- **Affiliated Cash Management:** Lyxor US has entered into an agreement with Amundi Asset Management US, Inc. ("**Amundi AM US**"), pursuant to which Amundi US may provide non-exclusive discretionary cash management services to certain Lyxor US Funds.

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## Conflicts of Interest

### *Conflicts of Interest Generally*

As noted in Item 4, Crédit Agricole S.A. is our ultimate parent company. Crédit Agricole S.A. and its affiliates currently hold approximately 70% of the share capital of Amundi S.A. Crédit Agricole S.A. and its various subsidiaries and affiliates include banks, broker-dealers, other investment advisers or asset managers such as Lyxor S.A.S. and Amundi AM US, commodity pool operators and/or commodity trading advisors, trust companies, insurance companies and other financial institutions (collectively, “**Crédit Agricole Parties**”). Certain Crédit Agricole Parties manage other investment funds (the “**Crédit Agricole Funds**”) that may pursue investment objectives similar to those of the Clients. Crédit Agricole Parties may also manage discretionary accounts, some of which may have investment objectives similar to the Clients.

Lyxor US; Amundi AM US; Amundi US Inc.; Amundi Distributor; Amundi S.A.; and Amundi Holdings US, Inc., are wholly owned subsidiaries of Crédit Agricole S.A. Crédit Agricole S.A. has other subsidiaries that are engaged in the investment management business that are not registered as investment advisers under the Advisers Act.

Crédit Agricole 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, Crédit Agricole Parties and Crédit Agricole Funds may be actively engaged in transactions in the same securities and other instruments in which Clients, and Trading Advisors and/or External Fund Managers on behalf of Clients, may invest. Crédit Agricole Parties and Crédit Agricole Funds are not under any obligation to share any investment opportunity, idea or strategy with Clients, Trading Advisors, or External Fund Managers. The trading activities of the Crédit Agricole Parties and/or Crédit Agricole Funds generally are carried out without reference to positions held by Clients, Lyxor Funds, or External Funds. As a result, Crédit Agricole Parties and/or Crédit Agricole Funds may compete with, or take positions opposite of, Clients, Lyxor Funds or External Funds, or engage in trading activities that are detrimental to the trading positions of Clients, Lyxor Funds and/or External Funds. The Crédit Agricole Parties’ or the Crédit Agricole Funds’ trading activities accordingly may have a negative effect on the value of the positions held by Clients and/or External Funds. Lyxor US and the Crédit Agricole Parties and/or Crédit Agricole Funds do not intentionally compete with each other or take positions opposite each other.

Additionally, subject to applicable law, Crédit Agricole Parties may also serve as counterparty in certain transactions entered into by the Lyxor Funds or External Funds through which such Crédit Agricole Parties may profit. Furthermore, because of the extensive number of services provided by the Crédit Agricole Parties in the marketplace, certain Crédit Agricole Parties may serve as service providers to Lyxor Funds or External Funds that we recommend to Clients. Certain affiliates may serve as broker-dealer to certain Lyxor Funds or External Funds that we recommend to Clients.

Whenever a Crédit Agricole Party is a service provider or counterparty to a Fund that we recommend to Clients or that we manage, a conflict of interest arises as the Crédit Agricole Party is paid a fee or may earn a profit in addition to the fees we receive. The greater the

fees or potential profits earned by our affiliates, the greater the conflict, as we have an incentive to manage, recommend, or direct assets to Funds that cause our affiliates to earn higher fees or profits. Although this is a conflict of interest, we believe that the fees borne by any Client as a result of contracts or arrangements with affiliates are charged at commercially reasonable rates. Further, 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 benefitting the Firm or its affiliated entities.

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Upon request, additional information will be provided to a Client with respect to the Crédit Agricole Parties and the Crédit Agricole Funds to the extent such information is available to us and we are permitted to provide such information. However, records of our Client accounts will generally not be made available to Clients or potential Clients. Interested Clients should contact Lyxor US's Chief Compliance Officer at [us-lyxor-compliance@lyxor.com](mailto:us-lyxor-compliance@lyxor.com) or via telephone at (212) 205-4100.

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

### Code of Ethics

The Firm has adopted a Code of Ethics (the “**Code**”) pursuant to Rule 204A-1 under the Advisers Act. Among other things, the Firm’s Code of Ethics requires supervised persons of the Firm to comply with federal securities laws, and to adhere to certain standards that reflect the Firm’s fiduciary obligations to its clients. In addition, employees of the Firm must report his or her personal securities transactions and holdings to the Firm, pre-clear certain transactions, and refrain from engaging in certain investment activities. One of the key objectives of the Firm’s Code of Ethics is to prevent personal trades by the Firm’s employees based on information about securities transactions made for advisory clients. Each employee with access to advisory client information must obtain pre-clearance for all reportable securities transactions in his or her personal accounts. Each employee must observe the following fiduciary principles with respect to his or her personal investment activities:

- At all times, each employee must place the interests of advisory clients first;
- Personal securities transactions of employees must be conducted in a manner designed to avoid actual or potential conflicts of interest with the interests of any advisory client or any abuse of the employee’s position of trust and responsibility; and
- Each employee must avoid actions or activities that would allow him or her to inappropriately profit or benefit from his or her position at the Firm, or that otherwise brings into question the employee’s independence or judgment.

A copy of the Code of Ethics will be provided to any client or prospective client upon request.

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## Participation or Interest in Client Transactions

We do not trade on a principal basis with our Clients. However, subject to applicable law, our brokerage affiliates may be permitted, as principal, to sell securities to the Lyxor US Funds at the direction of their respective Trading Advisors. 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 Lyxor US 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 Lyxor US Funds and the unaffiliated Trading Advisor or External Fund Manager 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.

We act as "Manager" or "Sponsor" of the Lyxor US Funds in which some Clients are invested. See Item 6 above for potential related conflicts of interest.

In addition, please see "Conflicts of Interest" in Item 10 for additional information about our participation or interest in Client transactions.

## Lyxor S.A.S. and LIAM

As noted above in Item 10, certain employees of Lyxor S.A.S. that are subject to the Lyxor S.A.S. PAA and certain employees of LIAM subject to the LIAM PAA, both such agreements described in Item 10, are subject to certain aspects of our Code.

## **Item 12. Brokerage Practices**

### Brokers

In pre-approving the appointment of any brokers selected by Trading Advisors on behalf of any Lyxor US Funds or the portfolio managers for Cash Management Clients, the Firm's risk team, with input from the global risk team, as appropriate, conducts a risk review of the selected brokers and may deny the use of such brokers under certain circumstances.

*Alternative Investment Clients:* The Firm's affiliated broker-dealers may act as prime brokers, executing brokers, clearing brokers or in other capacities for External Funds recommended by the Firm to Clients. With respect to the Lyxor US Funds, the Firm's affiliated broker-dealers may act as executing brokers, clearing brokers, or in other capacities, subject to applicable laws and other restrictions. For Lyxor US Funds for which the Firm has delegated investment authority to Trading Advisors, (i) it is the Trading Advisor who generally selects the brokers to be used to execute transactions on behalf of the Fund, and (ii) Lyxor US, together with the Trading Advisor, typically selects clearing brokers, prime brokers and other over-the-counter counterparties to be used by the respective Lyxor US Fund. In addition, Lyxor US typically negotiates and executes the various brokerage agreements with the relevant broker(s) to these Lyxor US Funds; however, in certain circumstances the Firm may approve, in consultation with the Trading Advisor and the

relevant Client, the use of trading relationships already established by the Trading Advisor to effect trading on behalf of a Lyxor US Fund. For more information about conflicts of interest relating to the Lyxor US Funds' use of, and Lyxor US' recommendation of External Funds that use, service providers such as affiliated broker-dealers, please see please see "Conflicts of Interest" in Item 10.

### Best Execution

*Alternative Investment Clients:* Lyxor US generally does not execute securities trades on behalf of the Lyxor US Funds as it typically delegates trading responsibilities for most Lyxor US Funds to Trading Advisors, and, in the event a Lyxor US Fund is not sub-advised by a Trading Advisor, Lyxor US does not expect to directly engage in securities trading (instead, Lyxor US expects such Lyxor US Fund to invest in External Funds or other co-investment opportunities). However, it is Lyxor US's policy that the Trading Advisors to Lyxor US Funds, and External Fund Managers to External Funds, have procedures in place designed to obtain best execution. Regarding the trading practices of the Trading Advisors, the Firm's operational due diligence team, during its initial and periodic reviews of Trading Advisors, conducts a review of the Trading Advisors' best execution practices, policies and procedures. Clients invested in a Lyxor US Fund should refer to the Offering Documents for such Lyxor US Fund for information about the Trading Advisor's best execution policies.

*Cash Management Clients:* In selecting broker-dealers, we seek broker-dealers who can provide best execution of transactions under the circumstances. Prior to executing a trade with a selected counterparty, portfolio managers generally reach out to three counterparties in an effort to seek best execution. By "best execution" we mean that we seek the transaction that will provide the most favorable total cost or proceeds reasonably attainable in the circumstances. The principal factors determining this selection include, but are not limited to: (1) a broker's capital depth; (2) a broker's market access; (3) a broker's transaction confirmation and account statement practices; (4) our knowledge of bid-ask spreads currently available; (5) our valuation of the security to be bought or sold; (6) the nature and character of the markets for the security to be purchased or sold; (7) the desired timing of the transaction; (8) the execution; (9) clearance and settlement capabilities of the broker selected and others considered; and (10) our knowledge of any actual or apparent operational problems of a broker. In light of the factors described above, "best execution" is not synonymous with lowest brokerage commission or lowest bid-ask spread. Consequently, in a particular transaction a client may pay a brokerage commission or a bid-ask spread in excess of that which another broker might have charged for executing the same transaction.

### Soft Dollar Benefits

We do not receive research or other products or services ("**soft dollar benefits**") other than execution from broker-dealers or third-parties in connection with Client securities transactions. However, Trading Advisors may receive such soft dollar benefits in connection with the investment services that they provide to the Lyxor US Funds. Such products and services provided by broker-dealers to Trading Advisors 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"

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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 Advisors 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 Advisors may influence the Trading Advisors’ judgment in allocating brokerage business. By using Lyxor US Fund brokerage commissions to obtain soft dollar products and services, a Trading Advisor receives a benefit because it does not have to produce or pay for the products and services. A Trading Advisor has an incentive to select a broker based on such Trading Advisor’s interest in receiving soft dollar products and services, rather than based on a Lyxor US 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 Lyxor US Fund’s brokerage transactions. Although a Trading Advisor may believe that these relationships will be beneficial to the relevant Lyxor US Fund, trades executed through these brokers for the Lyxor US Fund may or may not be at the lowest commission otherwise available. However, each Trading Advisor owes fiduciary duties to the Lyxor US Fund(s) that it sub-advises to act for the benefit of such Lyxor US Fund(s) and to abide by these fiduciary duties when allocating brokerage business. A Lyxor US Fund may pay commissions higher than those charged by other brokers in return for soft dollar benefits.

All funds (including a Lyxor US Fund) advised, sub-advised or managed by a Trading Advisor may benefit directly or indirectly, immediately or over time, from products and services provided or paid for with soft dollars. A Trading Advisor may not necessarily 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 Advisor 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 Lyxor Funds’ commission dollars may be used to pay for soft dollar benefits that are exclusively or predominantly used by the Trading Advisor for its other client accounts rather than for the Lyxor Fund. The Firm’s operational due diligence personnel monitor Trading Advisors to determine whether they have soft dollar procedures in place to the extent applicable.

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.

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## Aggregation and Allocation

We have a fiduciary obligation to treat each Client fairly with regard to the allocation of securities or investment opportunities amongst multiple Clients. Each External Fund recommended to a Client is managed by an investment manager that has policies and procedures regarding aggregation and allocation for their respective clients (assuming such manager itself has multiple clients). As such, the Firm is not responsible for aggregation and allocation decisions for any such fund. However, the Firm's operational due diligence personnel monitor Trading Advisors and External Fund Managers to determine whether they have procedures in place regarding the fair and equitable allocation of investment opportunities among their various clients. Clients should refer to the Fund's offering memorandum and/or other governing documents made available to Clients for more information on the aggregation and allocation policies of the Trading Advisors and/or External Fund Managers.

From time to time, the Firm may advise more than one 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 Client. It is the policy of the Firm that trades, which are recommended by the Firm, are to be allocated fairly and equitably among accounts participating in each transaction, taking into consideration the investment objectives, guideline restrictions, investment strategy, asset allocation and benchmarks of each 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 Alternative Investment Clients. As a preliminary matter, the Firm's Investment Committee makes an assessment regarding whether a particular investment opportunity is appropriate for such a Client and, if it is an appropriate investment (based on mandate constraints or restrictions), the amount of such investment to give to such 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 such Client's (i) investment objective, policies and restrictions (including, without limitation, such 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 such Client's target asset allocation), and (vi) tolerance for portfolio turnover; and
- other factors, such as (i) the nature and size of such Client's account(s), (ii) the suitability of the investment for such Client, (iii) the availability of cash or buying power and other liquidity concerns, (iv) whether such Client is eligible to participate in a trade pursuant to compliance regulations, (v) the percentage of such 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

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amount of the investment capacity to be allocated, including whether an allocation to a particular manager would have a material impact on such 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 which could be allocated to various accounts may be one of limited availability (and hence not fungible with other opportunities). If this occurs, the Firm will seek to allocate such investment opportunities among the Clients to which it is recommending such investments on a *pro rata* basis. However, in many instances and for a variety of reasons, recommending such investments on a *pro rata* basis may be inappropriate; accordingly, deviations from 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 pre-allocation formula. These allocation decisions, and the reasoning supporting them, will be documented in the minutes of the Investment Committee and/or the Risk Committee.

From time to time, the Firm's affiliates, such as Lyxor S.A.S., may desire to recommend an investment opportunity with limited capacity to its advisory clients (the "**Affiliate Accounts**") at the same time that the Firm desires to recommend such investment opportunity to one or more 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 Clients and the Affiliate Accounts as these are managed by separate, although affiliated, investment advisers. 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. For example, a *pro rata* allocation may result in a de minimis allocation either to the account of a Client or Affiliate Account. These allocation decisions, and the reasoning supporting 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. The Firm may recommend purchase or sale decisions with respect to a particular Client's account that may be the same as, or differ from, the recommendations made, or the timing or nature of the action taken, with respect to another Client's account.

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.

The Firm is authorized to provide cash management services to its affiliates. To the extent that a Cash Management Client is an affiliate of the Firm, the Firm or LIAM may have an incentive to favor such Client over other Clients. However, because the instruments in which these accounts commonly invest – U.S. treasury bills – are extremely liquid, we do not be

believe that the Firm's management of a cash management account for our affiliates creates any conflicts of interest with respect to the allocation of investment opportunities.

### Trade Errors

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 Clients generally are not reimbursed unless such trade errors occurred as a result of our gross negligence. Any gains realized by an account due to trade errors, however, are to remain in such account. Netting of gains and losses between Clients or in the case of multiple trade errors resulting from more than one investment decision for the same Client is permissible, subject to various policy considerations. 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 Lyxor Funds, the Trading Advisor's responsibility for trade errors that it causes in a Lyxor US Fund shall ultimately be governed by the applicable trading advisory agreement entered into by such Trading Advisor. Investors in the Lyxor Funds should review the Offering Documents for the applicable Lyxor Funds for more information about the relevant Trading Advisor's trade error policy.

## **Item 13. Review of Accounts**

### Review of Client Accounts

The Firm reviews account performance of Client accounts on at least a twice-monthly basis. In addition, our risk management team monitors compliance by each Trading Advisor with the investment restrictions and risk guidelines for the Lyxor US Funds such Trading Advisor advises on a daily basis, by LIAM with respect to Cash Management Clients on a daily basis, and with multi-manager accounts on at least a monthly basis. Notwithstanding the foregoing, in the event a Client's account is within a "ramp-up period," certain investment restrictions and/or risk guidelines may not be strictly adhered to in order to seek an orderly ramp-up of such Client's account.

### Reports

We send Clients invested in portfolios managed by the Firm and investors in Lyxor US Funds written reports showing account performance on at least a monthly basis; provided, however, that certain Clients may receive customized reports on an alternative timetable, as agreed to with such Client. In addition, Lyxor US Fund investors generally receive audited financial statements within 120 days after the end of such fund's fiscal year.

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**Item 14. Client Referrals and Other Compensation**

We do not compensate any persons for soliciting investors to the Lyxor US Funds or for any other client referrals.

**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 Lyxor US Funds. In accordance with Rule 206(4)-2 of the Advisers Act, we maintain the assets of each Lyxor US Fund with a qualified custodian and audited financial statements are furnished annually to all investors in the Lyxor US Funds. Investors are urged to carefully review all account and financial statements and contact us if they have any questions.

**Item 16. Investment Discretion**

With respect to separately managed accounts, we may or may not have investment discretion to allocate such Client's assets to particular Funds or External Fund Managers depending on the terms of the advisory agreement with such Client. We may agree to certain investment restrictions and risk guidelines regarding the type and quantity of Funds in which a Client invests.

In our capacity as "Manager" or "Sponsor" for certain Lyxor Funds, we have discretionary authority to select External Funds and co-investments, subject to, in certain cases, an investor's right to opt-in/opt-out of specific investment opportunities. In such capacities, we also have discretionary authority for certain Lyxor Funds, subject to certain notice provisions, to appoint and terminate Trading Advisors. In addition, with respect to our cash management services to the Lyxor US Funds, cash not required for a Lyxor US Fund's trading operations at any given time may be deposited in bank or brokerage accounts or, with the assistance of one or more affiliates, invested in obligations guaranteed as to principal or interest by the United States (unless otherwise delegated to the Trading Advisor of the relevant Lyxor Fund).

**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 Lyxor US Funds, where we have delegated trading responsibility to the Trading Advisors, we also generally authorize the Trading Advisors to vote proxies on behalf of the relevant Funds. In accordance with our internal policies, our operational due diligence personnel monitor that such Trading Advisors have proxy voting procedures.

With respect to proxies received from External Fund Managers relating to investments in External Funds held by Clients, the Firm will evaluate each proxy on a case-by-case basis.

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With respect to voting on routine and administrative matters, the Firm will typically vote proxies in accordance with the recommendation of the External Fund Managers unless the Firm has a particular reason to vote to the contrary. With respect to non-recurring or extraordinary matters, the Firm will vote proxies on a case-by-case basis in accordance in a manner it believes to be in the best interest of the relevant Client.

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. 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.

#### **Item 18. Financial Information**

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