DUE DILIGENCE QUESTIONNAIRE

FOR

LYXOR / CFM DISCUS FUND LIMITED

This due diligence questionnaire should be read in conjunction with the most recent version of the Offering Memorandum for the Lyxor / CFM Discus Fund Limited, the Supplemental Memorandum for such fund and, if applicable, the U.S. Supplement to the Supplemental Memorandum for Class B Participating Shares (together, the "Offering Memorandum"). If there is any inconsistency between any information herein and the Offering Memorandum, the Offering Memorandum shall control.

Prepared by the Lyxor Managed Account Platform in cooperation with the Trading Advisor.
Last Update: November 2010

ASSET MANAGEMENT BY LYXOR

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Also, hedge funds are typically less transparent in terms of information and pricing and have much higher fees than registered funds. Investors in hedge funds may not be afforded the same protections as investors in funds registered under the '40 Act including limitations on fees, controls over investment policies and reporting requirements.

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Also, hedge funds are typically less transparent in terms of information and pricing and have much higher fees than prospectus offered funds. Investors in hedge funds may not be afforded the same protections as investors in offered funds, including limitations on fees, controls over investment policies and reporting requirements.

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SEE "RISK FACTORS AND CONFLICTS OF INTERESTS" IN THE RELEVANT OFFERING MEMORANDUM

ASSET MANAGEMENT BY LYXOR

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1. GENERAL SET UP & BACKGROUND INFORMATION

1.1. LYXOR CONTACT INFORMATION

- **Company Name and Address:**

Lyxor Asset Management S.A.

Tour Société Générale
17 cours Valmy
92 987 Paris – La Défense Cedex
France

Lyxor Asset Management Inc.

1251 Avenue of the Americas
46th Floor
New York, NY 10020
U.S.A.

- **E-mail:**
For US investors: invest@lyxor.com
For non US investors: contact@lyxor.com

- **Internet/website:**
For US investors: www.lyxor-us.com
For non US investors: www.lyxor.com

1.2. MANAGED ACCOUNT DETAILS

- **Managed account name:**
Lyxor / CFM Discus Fund Limited (the "Lyxor Fund" or "Managed Account")

- **Benchmark fund name:**
Discus Feeder Limited (the "Benchmark Fund")

- **Currency of participation interests:**
USD

- **List share classes and denominations of each share class of the managed account:**
A, B.

- **Date of inception of the managed account:**
November 2001

- **Is the managed account regulated? If so, please provide details (including where and by who) and explain any requirements for regulation:**
The managed account is structured as a limited liability company, registered in Jersey, and is regulated by the Jersey Financial Services Commission.

- **Is the managed account listed on any exchange(s)?**
Yes. Units of the managed account are listed on the Irish Stock Exchange.

1.3. FEE STRUCTURE

	Lyxor Fund	Benchmark Fund
Management fee	Up to 2%	2%
Performance fee	Up to 25%	25%
Hurdle rate	No	No
High water mark	Yes	Yes
Class B fee[1]	Up to 0.95%	N/A
Entry fee[2]	Up to 5%	N/A
Exit fee[2]	Up to 5%	N/A
Any other fees	NA	The Company will incur operational expenses, which include but are not limited to the administrative fee of the administration, annual audit fees, monthly bank fees, annual government and registration fees.

1.4. SUBSCRIPTION & REDEMPTION TERMS

	Lyxor Fund		Benchmark Fund
Class	**Class A**	**Class B**	**Class B**
Minimum initial investment	$100,000	$100,000	$ 1,000,000
Minimum additional investment	$10,000	$10,000	$ 1,000,000
Subscription frequency)[3]	Weekly		Monthly
Redemption frequency[3]	Weekly		Monthly
Redemption notice period until the next valuation day[4]	0 Business Days	2 Business Days	2 months
Redemption cash proceeds time period	3 Business Days	5 Business Days	15 Business days
Lock up period	No		None
Gate[5]	Please see below		None

[1] Referred to as “AF Rate” in the Supplemental Memorandum relating to the Lyxor Fund.
[2] To date, the entry and exit fees have not been charged in any Lyxor AM managed account.

[3] Under normal market conditions, Lyxor AM intends to offer weekly liquidity for this managed account. However, weekly liquidity is not guaranteed and there are circumstances under which such liquidity may not be possible, including but not limited to: (i) periods during which there are a large number of redemption requests, or where there are one or more large redemption requests; (ii) where Lyxor AM’s risk management guidelines would prohibit additional liquidity (for example, in the case of managed accounts that are heavily leveraged); or (iii) where the underlying investments of a managed account impose additional restrictions on liquidity (for example, the use of “gates”).

[4] Notice period and cash proceeds time period are for off-shore investment in the Lyxor Fund and may differ for on-shore investment. Please contact your local Lyxor representative for details.

[5] The Lyxor Fund is subject to a gating provision whereby, for any date on which redemptions are affected by the Lyxor Fund (a "dealing day"), if all redemption requests received with respect to any class for such dealing day exceed 10% of the outstanding shares of such class, Lyxor AM may scale down pro rata the number of shares redeemed on such dealing day. To the extent that redemption requests are not given full effect on any dealing date by virtue of the provision, such redemption requests shall be treated with respect to the unsatisfied balance thereof as if a further redemption request had been received from the shareholder in question in respect of the next dealing day until any such redemption request has been satisfied in full. To date, this gating provision has not been activated in any Lyxor AM managed account.

1.5. SERVICE PROVIDERS

	Lyxor Fund	Benchmark fund
Administrator	Euro VL	HSBC Securities Services (Ireland) Limited
Prime Broker(s)	N/A	Barclays Bank plc and affiliates Deutsche Bank AG and affiliates
OTC Counterparties	N/A	Barclays Bank plc Deutsche Bank AG
Futures & Options Clearer	NEWEDGE GROUP	Barclays Bank plc and affiliates Deutsche Bank AG and affiliates
Auditor	PricewaterhouseCoopers	KPMG - Chartered Accountants
Legal counsel	Mourant du Feu	Harney Westwood & Riegels Katten Muchin Rosenman LLP

1.5.1. Have the Administrator, Prime Broker(s), Clearer, Custodian, or Auditor been changed within the past 6 years in the Benchmark Fund? If so, why?

	Any Change	Former providers	Reasons change
Administrator	January 2004	Custom House Administration and Corporate Services Limited	Improve service quality; and Improve technological environment.
Prime Broker(s)	N/A		
OTC Counterparties	Yes	RBS plc	Creditworthiness and service quality.
Futures & Options Clearer	Yes	UBS Securities LLC, UBS Singapore LLC	Creditworthiness and service quality.
Auditor	No		
Legal counsel	No		

1.6. MANAGED ACCOUNT INVESTOR SERVICES / REPORTING BY LYXOR AM

1.6.1. Can the prospectus/offering memorandum be transmitted to clients electronically?
Yes.

1.6.2. Who calculates the NAV and what is the frequency of calculation?
The NAV is calculated as of each Tuesday's close by the administrator.

1.6.3. Can fund performance (NAV, RoR) be transmitted to clients electronically on a regular basis, and at what periodicity?
Yes, on a weekly basis by email. The NAV is also available to fund investors on a dedicated Bloomberg page for select funds (please contact your local Client Service contact for assistance).

1.6.4. List all reports and correspondence usually sent to clients
Weekly performance
Monthly Investment Profile, with updated performance and statistics
Monthly Report

2. TRADING ADVISOR INFORMATION[6]

2.1. CONTACT INFORMATION

- **Company name:** Capital Fund Management S.A. ("CFM").
- **Address:** 6-8 Boulevard Haussmann, 75009 Paris, France.
- **Telephone:** +33 1 49 49 59 49.
- **Fax:** +33 1 47 70 17 40.
- **E-mail:** cfm@cfm.fr
- **Website**: www.cfm.fr

2.2. COMPANY

2.2.1. Please give a brief history of the company and, if applicable, group structure:

Founded in 1991, CFM is specialized in developing trading strategies based on a global and quantitative approach to financial markets. CFM's methodology relies on the in-depth statistical analysis of terabytes of financial data for asset allocation, trading decisions and order execution.

Research in the statistical properties of financial instruments and the development of systematic trading strategies are carried out at CFM by a team of Ph.D's, most of them former physicists from prestigious institutions, and a team of IT and Data specialists. This research work, combined with 20 years of market experience and cutting-edge technology, allows CFM to create original, state-of-the-art trading strategies and to adapt these further as markets continuously evolve.

CFM's trading strategies can be characterized as highly systematic and disciplined, girded by a tested risk control system. CFM manages today a large set of quantitative strategies, trading listed instruments such as futures, equities, bonds, options, as well as FX.

2.2.2. Type of company/entity:

S.A. (French equivalent to limited company).

2.2.3. Date and place of incorporation and registration number:

Capital Fund Management S.A. is registered with the Paris Chamber of Commerce with the identifier: RCS Paris B395 083 504.

2.2.4. Subsidiaries, branch offices or other locations, if any:

- CFM International Inc. ("CFMI Inc"), a wholly owned U.S. subsidiary of CFM with offices at The Chrysler Building, 405 Lexington Avenue, 41st floor, New York, NY 10174, United States;
- CFM N.A., a wholly owned U.S. subsidiary of CFM with no operations; CFM N.A. is a General Partner and/or Managing Member of certain funds and operates as an exempt CPO of certain onshore funds; and
- CFM Asia K.K. ("CFM KK"), a wholly owned Japan-based subsidiary of CFM with offices at Marunouchi Building, 2-4-1 Marunouchi, Chiyodaku, Tokyo 100-6309, Japan.

2.2.5. Which regulatory authority is the company registered with?

CFM is registered:

- with the Commodity Futures Trading Commission ("CFTC") as a 4.7 exempt Commodity Trading Advisor ("CTA") since May 5, 1992 (registration number 240154). CFM is also a member of the National Futures Association ("NFA");
- with the Autorité des Marchés Financiers, or "AMF" (registration number GP 01-013) as a type II portfolio manager since July 6, 1993; and
- with the Securities and Exchange Commission ("SEC") as an investment adviser since April 7, 2003 (registration number 801-61960).

CFM and CFM N.A. both act as exempt commodity pool operators.

[6] All information in this section concerns the Trading Advisor and the Benchmark Fund, was provided by the Trading Advisor, and has not been verified by Lyxor AM or any of its affiliates

CFM KK has a FSA securities type II license (license number "KLFB 1204"): http://www.fsa.go.jp/menkyo/menkyoj/kinyushohin.pdf (please see page 58).

2.2.7 Please provide the applicable date(s) of the most recent regulatory review conducted by each regulatory agency with whom you are registered. Are there any issues currently unresolved? If yes, please provide a detailed explanation:

The latest visit by the AMF took place in 2007 and they closed their report in 2008.
Their main comments related to the creation of an independent risk function (this has been completed) and the formalization of certain decisions (this has been completed).

2.2.8 Please list the total assets under management by the company across its different products:

As of the date of this document, CFM is managing US$ 3.1 billion firm-wide:

- CFM Discus Program: US$ 1.0 billion; and
- CFM Stratus Program: US$ 2.1 billion.

2.3. OWNERSHIP

2.3.1. Describe the company's and group ownership structure, name of its owners, their percentage ownership, and their role within the company:

CFM is an independent alternative investment company. The equity of CFM is held as follows (these ratios will evolve over time due to a stock option program for key employees):

- Estate of Jean-Pierre Aguilar: 57%;
- Jean-Philippe Bouchaud: 12%;
- Marc Potters: 14%; and
- Other senior employees: 17%.

2.3.2. Have the company's and group ownership structure ever changed? If so, please describe.

The ownership structure is expected to change soon: in November 2010, CFM's four Directors have agreed to acquire an additional 23% of CFM S.A's equity from the estate of the late Jean-Pierre Aguilar. This transaction will raise the aggregate holding of the board and key employees to 66%, out of which the four Directors will own more than 50%.
Furthermore, under various scenarios, the stock holdings of board members and key employees may subsequently grow to 75% and above.

2.4. ORGANISATION

2.4.1. How many employees are there?

110 employees:

- 36 researchers (Directional Trading, Equity Statistical Arbitrage, Equity Volatility Arbitrage, Execution);
- 50 IT engineers (Front Office-IT, Data, Operations-IT, IT-Infrastructure); and
- 24 Business people (Investor Relations, Legal & Compliance, Operations, Administration & HR).

2.4.2. Please provide background information for principals and key professionals.

Jean-Philippe Bouchaud, Philippe Jordan, Marc Potters and Jacques Saulière are members of CFM's board and are responsible for all strategic decisions.

<u>**Jean-Philippe Bouchaud - Chairman - Chief Scientist.**</u>

- Dr. Jean-Philippe Bouchaud was appointed Chairman and Chief Scientist of CFM in October 2001. At CFM, Dr. Bouchaud supervises, together with Dr. Potters, the research team of CFM, and contributes by maintaining strong links between CFM's research and the academic world.
- After studying at the French Lycée in London, Dr. Bouchaud graduated from the École Normale Supérieure in Paris, France, where he obtained his Ph.D. in theoretical physics. He was then appointed as a researcher by the Centre National de la Recherche Scientifique ("CNRS") until 1992. After a year at the Cavendish Laboratory in Cambridge (UK), he joined the Service de Physique de l'État Condensé at the Commissariat à Energie Atomique ("CEA") at Saclay (France). Dr. Bouchaud became interested in theoretical and empirical finance in 1991. His research in quantitative finance led him to founding the research company Science & Finance SA ("S&F") in 1994 together with Mr. Aguilar. S&F merged with CFM in July 2000.

- Dr. Bouchaud is today a well-known authority within the field of Econophysics. His work, summarized in the book Theory of Financial Risks and Derivative Pricing (Cambridge University Press), includes new statistical models of returns and correlations, extreme risk control and option pricing beyond Black-Scholes. Dr. Bouchaud was awarded the IBM Young Scientist prize and the CNRS Silver Medal. He is also the Editor in Chief of Quantitative Finance.

Philippe Jordan - President of CFM International Inc.

- Mr. Jordan heads CFM's Investor Relations group and its New York office; he joined CFM in 2005. He is also responsible for External Risk Management including credit, legal and systemic risk. He alsoserves on the board of Directors of CFM S.A. France.
- Prior to joining CFM, Mr. Jordan was a Founding Member of Indeman Capital Management, LLC ("IDM"), a start-up focused on hedge-fund incubation. Mr. Jordan joined IDM from Credit Suisse First Boston ("CSFB"), where he was a Director and the Global Head of Capital Introduction in the Prime Banking Group. He also worked in CSFB's Hedge Fund Development Group, where he was the head of hedge fund origination and distribution for the Americas. Prior to this, Mr. Jordan was a Senior Vice President in Hedge Fund Coverage and later the Co-Head of Alternative Investments at Daiwa Securities, America and a Senior Vice President in International Sales at Oppenheimer & Co. Mr. Jordan began his career as an account executive at Refco Group Limited in London. He served on the board of Directors of FINEX from 1993 to 1999.

Marc Potters - Co-CEO.

- Dr. Marc Potters joined CFM in October 1995 as a researcher in quantitative finance.
- Today he heads the research team at CFM comprising mainly Ph.D.'s. He directs fundamental and applied research and supervises the implementation of automated trading strategies and risk control models. With his team, he has published numerous articles in the new field of statistical finance while continuing to develop concrete applications of financial forecasting, option pricing and risk control.
- Marc Potters holds a Ph.D. in physics from Princeton University (United States). Prior to joining CFM, he was a postdoctoral fellow at the University of Rome La Sapienza (Italy). Dr. Potters is the author, with Mr. Bouchaud, of the book Theory of Financial Risk and Derivative Pricing (Cambridge University Press).

Jacques Saulière - Co-CEO.

- Mr. Jacques Saulière joined CFM in October 2001 and was appointed COO of CFM in February 2006. In addition to managing administrative, legal and compliance, Mr. Saulière is responsible for information technology at CFM.
- Prior to joining CFM, Mr. Saulière worked from February 1993 as Head of Sales at Ubitrade SA. Mr. Saulière has in-depth knowledge in the development of state of the art software solutions for risk management within the financial industry. From 1988 to 1992, Mr. Saulière worked as a research consultant for major aerospace groups of the Defense sector in France.
- Mr. Saulière graduated from the École Centrale of Paris (France) in 1985. He also holds a M.Sc. in Electrical Engineering from the University of Southern California (United States) and a MBA from INSEAD at Fontainebleau (France).

2.4.3. Who are the key principals?

Please see 2.4.2.

2.4.4. How is the key-man risk addressed and managed?

CFM's trading approach is fully systematic and all trading and risk models are coded as software which is proprietary to the firm. This limits the key man risk. In addition, key employees are subject to non-compete clauses.

2.4.5. Please give details and descriptions of other commitments or interests of the principals:

All principals have only one professional activity; the exception being Jean-Philippe Bouchaud, who also acts as a professor at Ecole Polytechnique (Paris).

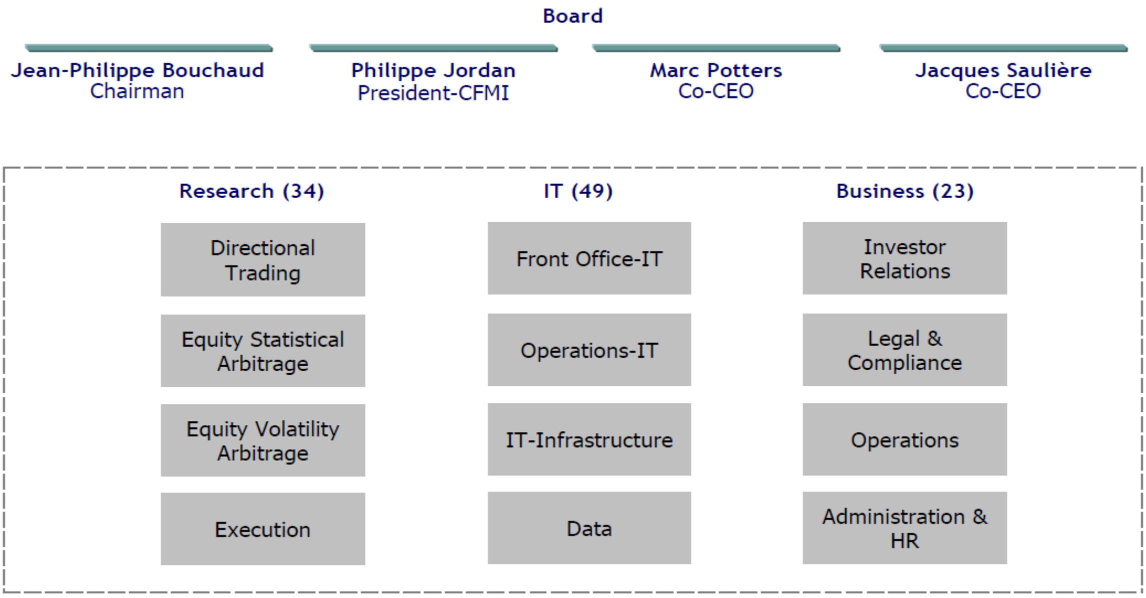
As of the date of this document, CFM's Partners and employees represent 4.6% of the capital managed within Stratus. About 55% of CFM's staff is invested in Stratus.

2.4.6. How many years in average, have the investment professionals of the company, worked in the firm and in the finance industry?

The principals have more than 20 years of professional experience.

2.4.7. Please enclose an organization chart depicting the names of senior managers in charge of the following areas and headcount:

Area	Headcount	Senior Manager
Research:	36	Marc Potters (co-CEO) on a day-to-day basis, and Jean-Philippe Bouchaud (Chairman) on a more theoretical level, manage the research department.
IT:	50	Jacques Saulière (co-CEO) manages CFM's operations including IT, back office and accounting.
Administration & HR:	6	
Operations:	10	
Legal & Compliance:	3	
Investor Relations:	5	Philippe Jordan (President of CFMI) manages the Investor Relations group.
TOTAL	**110**	



2.4.8. What has been the turnover rate among the company's personnel?
Turnover has been less than 10% per year for the past five years.

2.4.9. Where do the primary trading and research activities take place?
All research is done in Paris. Trading occurs in all major markets globally and CFM has systems and teams in place to handle this on a 24/6 basis. CFM has 8 data centers in Europe, North America and Asia. CFM maintains offices in Paris, New York and Tokyo.

2.4.10. Are outside representatives or consultants used for any activities? If so, give details:
All CFM research is generated internally. CFM has a significant internal research team and employs highly trained scientists, with Ph.D.'s in physics and other hard sciences from highly regarded academic institutions.
The only outside resources are the various outside data providers used by CFM for historical data.

3. BENCHMARK FUND'S GENERAL INFORMATION[7]

3.1. FUND'S DETAILS

3.1.1. Full name: Discus Feeder Limited.

3.1.2. Date of inception: November 2007 (but the Discus program was launched in January 1991).

3.1.3. Details of the fund:

- BVI Professional Fund, offshore feeder;
- Incorporated: British Virgin Islands;
- Trading Advisor: Capital Fund Management S.A.
- Discus Feeder Limited is an open-ended investment company incorporated in the British Virgin Islands as a BVI Business Company with limited liability.
- The Company conducts its trading activities through Discus Holdings Limited.
- The Company may issue ordinary voting shares (Class A) and non-voting shares (Classes B, C, D, E).

Note: Discus Feeder Limited through its investment in Discus Holdings Limited trades futures and spot FX, while the Lyxor/ CFM Discus Fund Limited only trades futures.

3.2. FUND'S ASSETS

3.2.1. Please list the size of the fund's net assets:
As of November 1st, 2010, the Discus Program has US$ 968 million in equity of a total of US$ 976 million in notional equity.

3.2.2. What percentage of assets is represented by the largest investors?
The largest investors in Discus are certain managed account platforms, which represent 46% of Discus' assets in total.

3.2.3. List the total assets under management and their respective changes over the past 3 years.
As of November 1st, 2010, the Discus Program manages US$ 976 million in notional equity, compared to US$ 1,086 million as of the end of 2009 and to US$ $ 1,476 million as of the end of 2008.
Discus' decrease in assets over the last 3 years is mainly due to the restructuring of the Stratus Program, which no longer invests in the master fund of Discus (since the end of 2009) but today operates a separate directional trading strategy within Stratus.

3.2.4. What is the total amount invested by the principals/management in the fund and in other investment vehicles managed *pari passu* with the fund?
Please see 2.4.5.

3.2.5. Please provide details and relative weights (%) of investors' type:

- 46% Managed Accounts;
- 36% Fund of Funds;
- 14% Private Banks;
- 3% Insurance Companies; and
- 1% Family Offices.

3.2.6. What do you consider to be the breakeven level of your organization in terms of asset under management?
US$ 1.8 billion on management fees only - enough to pay service providers, data vendors and CFM staff.

7 All information in this section concerns the Trading Advisor and the Benchmark Fund, was provided by the Trading Advisor, and has not been verified by Lyxor AM or any of its affiliates

3.3. FUND'S PERFORMANCE

3.3.1. Historical performance since inception:
Please see Investment Profile.

3.3.2. Please explain any major factors affecting performance and drawdowns:
Trends, volatility, reversals and liquidity.

3.3.3. List the largest drawdowns, the recovery period and explain why they have occurred:
The worst peak-to-valley drawdown was -35% from 07/94 to 10/95. This drawdown resulted into the deleveraging of the system whilst the problem was analyzed and a more diversified / equi-risk allocation was put in place. Recovery was over in February 1997.
In 2004, the fund experienced a peak-to-valley drawdown of -7% from 01/04 to 08/04. The program incurred a loss on long term and medium term models, which were not able to read the trends or oscillations of the unfavorable markets for futures at the time.
In 2008, the fund had a -8% drawdown from 07/08 to 10/08. This drawdown was mainly due to FX positions and in particular by positions taken by more fundamental models. These models have 5 different conditioning filters applied on the signal. In 08/08, these filters failed to identify unfavorable market conditions for the fundamental model. This is due to the fact that these filters tend to be quite reactive and their time horizon was too short compared to the length of the liquidity crisis.
Discus is currently in a drawdown of -14% (as of 31/10/10). This drawdown started in 06/10. The losses have arisen out of fundamental currency and index models and also a technical contrarian model. 2010 has been a difficult year for fundamental factors due to the high degree of intervention on the markets with the advent of QE2 and general management of the markets by the world's central banks. Fundamental factors are isolated and back-tested over many years of historical data and such drawdowns, although unpleasant are not improbable. More technical price based systems have actually performed well during the period of the drawdown, although one of the technical conditioners has brought contrariance and with it losses in particular on interest rate contracts. The drawdown is in line with statistical expectations and our reaction has been to be defensive with the level of leverage and continue to innovate with new lines of research.

3.3.4. Did you take any corrective actions to address such drawdowns? Please elaborate.
During periods of drawdown and in extreme unprecedented market conditions, CFM's board of Directors may decide to de-leverage in its discretion: CFM has refined its know-how over 20 years of continuous systematic money management, allowing it to better evaluate whether or not a given strategy is still in line or is suffering from a structural degradation of its alpha potential. Accordingly, CFM may decide at times to partially or eventually fully de-leverage a given strategy.

4. BENCHMARK FUND INVESTMENT STRATEGY[8]

4.1. DESCRIPTION

4.1.1. Describe your strategy:

Since 1991, CFM has developed various quantitative trading programs: Discus started in 1991, an Equity Statistical Arbitrage program in 2001 and an Equity Volatility Arbitrage in 2005. CFM's flagship fund, Stratus, combines these normally uncorrelated strategies and reflects CFM's know-how as a whole.

The underlying strategies are all statistical, quantitative and systematic in nature. The trading models are developed, tested and validated using CFM's proprietary tools and financial databases that have been gathered and cleaned over the years.

For all underlying programs, CFM operates on a short-term production cycle during which systems are updated with the latest market data and trading signals are generated, aggregated and transformed into an optimal portfolio given risk management constraints. Based on the difference between the actual and the optimal portfolio, the trading systems generate orders continuously throughout the day and which are executed using algorithms that seek to optimize slippage and market impact. The execution of orders in the market is carried out algorithmically over direct market access infrastructure using CFM's proprietary straight-through processing platform.

The Discus program is a high-frequency strategy that takes short-term positions (about 2 days average holding period) and generates a turnover of approximately 7,000 round trips per year per US$ 1 million. At the current level of assets under management, this presents approximately a turnover of 100,000 futures contracts per day.

Two main types of models are used, (i) price-based models which are usually applied universally across all markets, (ii) fundamentally based models, usually applied to a subset of markets where certain prices are conditioned with fundamental data. Resulting signals can be mean reverting or trend following with trading patterns ranging from a few minutes to several days.

4.1.2. Specify your targeted risk/returns?

Discus' risk and returns objectives are the following:

- Returns: > 16%;
- Sharpe ratio: > 1;
- Volatility: < 14%; and
- Worst drawdown: 18% (95% confidence, monthly drawdown over 1 year horizon).

Targets have been improved since inception.

4.1.3. What is your trading philosophy?

CFM focuses on research, IT infrastructure developments and risk management:

- Financial markets are constantly evolving;
- Yet we believe that markets have a small degree of predictability that can be exploited when applying a variety of statistical techniques in a systematically controlled framework; and
- By investing heavily in research and technology, CFM seeks to capitalize on such trading opportunities in the financial markets.

CFM focuses on continuously developing, implementing and managing financial trading systems.

4.1.4. What makes your strategy unique?

Among systematic CTAs, the large majority belongs strictly to a specific category, i.e. trend follower, break out, contrarian; what marks CFM's specificity is its ability to change its trading style on the same market in function of market changes. It is also its ability to create new trading systems (like the fundamental inspired models) and to add them to the program.

Being a trend follower on a market can be a very good decision for a while, and then, due to whipsawing prices, it becomes wise to be a contrarian trader. The ability of CFM to change its trading style in a systematic manner, and therefore to adapt its trading approach to the rhythm of the market differentiates our program from other CTAs.

CFM has hence a real edge in terms of market expertise, portfolio allocation, risk management, execution models and technology.

4.1.5. What is a favorable / unfavorable environment for your investment strategy?

CFM's strategy is to build a large collection of models that work in a broad range of market environments. It is usually difficult to predict under what market conditions a particular model will perform. However, the auto-adaptive nature of the Discus program allows for a good opportunity set of profitable market situations.

This program performs at its best in clear trending or mean reverting markets, and performs at its worst in a completely random, unstructured market framework. Historically, these situations tend to be short lived.

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4.1.6. Do you believe that there are persistent structural inefficiencies in the area you invest in? Please explain.
The markets exhibit several inefficiencies due to the huge number of market participants and their different aims when trading. The systems can detect these inefficiencies.

4.1.7. How do you think these market inefficiencies will change over time?
Some markets inefficiencies can be traded for a long time, some others can quickly disappear.
This is the reason why CFM focuses a lot on the research side, in order to be able to detect new inefficiencies and to develop new techniques to take profits from such situations.

4.1.8. If relevant, list the sub-strategies of the fund and indicate the weight and the PnL of each bucket (in % of NAV).
Approximately 50-55% of the risk budget is allocated to universal, price-based models, while approximately 45-50% of the risk budget is allocated to fundamentally based models.

4.1.9. Do you carry out IPO or PIPE trading on behalf of the fund?
No.

4.1.10. List all the instrument you are used to trade:
The futures portfolio is highly diversified and comprised of the most international liquid futures contracts on bonds, short-term interest rates, stock indices, currencies and commodities.
The traded instruments include 100 futures contracts (some 150 contracts when including back months) over 20 exchanges, for government bonds, short rates, currencies, stock indices and commodities in the US, EU and Asia.

4.1.11. What is your average holding period of your positions / average monthly and annual turnover?
The portfolio average holding period is 2 days.

4.1.12. Does the strategy have a long or short bias? No.

- **What is the maximum net long or short exposure the fund has had?** N/A.
- **What is the average net exposure?** N/A.

4.1.13. What investment criteria must new positions meet?
The Discus program is purely statistical and systematic in nature. The system is fed with historical (daily and tick-by-tick) time series. It is auto-adaptive as it decides dynamically which strategy to adopt depending upon the output of its different filters.
The strategy is short-term, in the sense that the systems have a 5-minute decision period and the average holding period is 2 days.

4.1.14. How do you close out positions to meet capital redemptions?
A 2-month notice period of the Benchmark Fund is far enough to readjust the portfolio after redemptions: actually, the fund invests only in liquid positions and more than 80% of the fund are in cash (as the investments are mostly carried out through futures).

4.1.15. Describe your cash management policy:
Cash of the Benchmark Fund is held with banks (HSBC Bank Plc, BNP Paribas, JP Morgan Chase Bank NA) and clearing brokers. The cash is held on call money or time deposit accounts.

4.1.16. Do you outsource this cash management function? If so, please give name of provider and method used.
No.

4.2. PORTFOLIO CONSTRUCTION

4.2.1. Who is responsible for managing the portfolio and how are decisions made?
CFM’s trading approach is fully systematic. CFM relies on technology for collecting data, calculating trading signals, communicating electronically with counterparties, executing, booking and settling trades, as well as controlling operational risk.

4.2.2. Describe how capital is allocated to a particular strategy

Purely statistical
Please see 4.1.13. The strategy may be based on momentum or mean reversion, with patterns ranging from a few minutes to several days. Fundamentally inspired models have also brought great diversification to the strategy. The execution is fully electronic and is based upon an execution model that takes advantage of short-term market information.

Auto-adaptive filtering
In order to extract relevant information from noise, the system starts by applying different filters to the time series of market data (a moving average is an example of a filter). These filters are multi-scale and auto-adaptive in nature. Thus, the system extracts very short, short, medium and long-term information from the market using filters that automatically adapt their shape and time characteristics to the nature of the data analyzed. In the moving average analogy, our system would be equivalent to a dynamical choice of the number of past days used in the average. This choice would be made in function of the statistical nature of the observed data so as to keep the moving average well adapted to historical price movements.
This is, of course, only an analogy: the class of filters we use is much broader than that of moving averages. Although they may have held a certain interest in the past, simple moving averages turn out to be unstable and incapable of capturing the subtle correlation present in market data.

Adaptive management
Our system is adaptive in the sense that it can modify its management style with configuration changes, market rhythms, etc. The identification of these changes in rhythm is the main difficulty faced by money managers. One of CFM's strong traits lies in its ability to identify and to rapidly quantify these changes in a systematic and reliable manner.
A set of systems applied to an ensemble of markets
We trade one trading system per sector. Some systems are satisfactory across the board; i.e., for all sectors, which is important because it means that these systems detect information related to the fundamental structure of markets (meaning the exchange of securities between sellers and buyers). However, there are also systems that are dedicated to a given sector: these take advantage of a specific characteristic of this sector. Finally, certain systems are inspired by fundamental data analysis; proxies for market indicators are built in order to predict some market movement conditional to these indicators.

Allocation built to minimize the global Value at Risk
The allocation among the different systems/markets is close to a liquidity-weighted equi-Value at Risk allocation. We allocate the same risk evaluated through a non-Gaussian Value at Risk on each contract/system. We then take into account tail correlations in order to minimize the global VaR of the portfolio.

Dynamic leverage management
The global leverage of the portfolio is dynamically adjusted in order to remain in a chosen range of volatility for the global portfolio and to respect de daily 99% confidence VaR target.

Execution models
Once the orders have been computed through the previous steps, they have to be executed.
The execution is also handled systematically – on electronic markets – in order to reduce the slippage using proprietary execution models.

4.2.3. To what extent is the portfolio construction dependent on computer models?
100%. The investment strategy employed at CFM is fully systematic.
Due to changes in market environment, system degradation is inevitable. CFM's Discus research is carried out by a team of Ph.D.s (mostly in Physics), who study specific problems, such as risk management and portfolio optimization, volatility forecasting, yield curve modeling based on empirical data and models of security price movement based on market microstructure.
These studies provide our research team with insights into potential trading strategies. Such strategies are then studied and tested by at least two researchers and must satisfy stringent criteria to be considered as a serious candidate for implementation: universality, absence of adjustable parameters and strong statistical confidence that simulated profits are valid.
Chosen strategies are combined in a diversified portfolio using risk control concepts such as (non-Gaussian) Value-at-Risk and 95% confidence level Worst-Drawdown for a one-year horizon.
As a policy, a system is never overridden. However, the leverage of a trading program may be decreased if the statistical behavior of a component of the program is not in line with our (statistical) expectations.

4.3. INVESTMENT RESEARCH

4.3.1. How is your research team organized?
Marc Potters, co-CEO, on a day-to-day basis, and Jean-Philippe Bouchaud, Chairman, on a more theoretical level, manage the research department, which has a headcount of 36 researchers, split in 4 teams: Directional Trading, Equity Statistical Arbitrage, Equity Volatility Arbitrage and Execution.

4.3.2. Do you use external sources? Please elaborate.
No.

4.3.3. What proportion of research is generated internally?
100%.

4.3.4. Describe the typical flow of an investment idea from inception to a trading position:
The fund is a fully systematic short-term CTA with an average holding period of 2 days. The system gathers roughly 50 different models with a 50/50 split between fundamental and universal models with patterns ranging from a few minutes to several days.
For fundamental indicators, the idea is not to wait for macro numbers to be published but rather to use prices to create proxy of these macro indicators. Therefore the system is able to evaluate these indicators on a real time basis. Such fundamental indicators may be sensitive to periods of high volatility. Therefore the manager has imposed some filters on these indicators to evaluate whether current market conditions are favorable or not to these indicators. Filters may be very specific depending on the asset class.
The long term allocation between sectors is as follows: 10% on Short Term Interest Rates, 25% on Bonds, 25% on FX, 15% on Commodities and 25% on Equity. This allocation is based on volatility, correlation and liquidity of the various sectors. The execution is fully electronic and is based upon an execution model that takes advantage of short-term market information.

4.3.5. Do you run back testing on your investment ideas? If yes, describe the process?
A new model developed by a researcher is subsequently rewritten by another researcher and confirmed. A presentation, with back testing simulations and stress testing, is then shown to the management board before a decision to implement is taken. A new model is initially put into production with low weight and low leverage before full validation in the markets. Decisions made by the management board result from a consensus and the decision makers are not the authors of such models.

4.3.6. Have you published or commissioned any research/academic papers?
CFM's researchers are permitted to publish scientific papers. However, to protect proprietary, actionable data and key concept, publishing papers is subject to CFM's approval. Over the years, the team has published over 40 papers and written numerous other internal reports that serve as an institutional memory at CFM.

4.4. EXECUTION & TRADING

4.4.1. Describe members of the trade execution group, their functions and experience:
Execution is conducted via algorithmic protocols, which are monitored by the relevant business unit and a risk manager independent from this relevant business unit. The teams based in New York, Tokyo and Paris are responsible for monitoring execution on a 24/6 basis.

4.4.2. Who is authorized to place orders on behalf of the fund?
Execution is fully automated. All orders are placed by execution servers that are operated under the respective Trader IDs that CFM has with markets as well as counterparties.

4.4.3. Which is the level of discretion delegated to traders?
None. CFM does not do discretionary trading.

4.4.4. Is there clear separation of functions between front and back office?
Yes. These are separate teams.

4.4.5. How are executed trades allocated to accounts?
Futures trades are allocated post-trading in accordance with an enhanced CFTC allocation algorithm.

4.4.6. Describe your execution infrastructure (order routing, position monitoring…)?
The execution infrastructure of CFM is fully electronic and proprietary. The firm executes trades directly from its execution servers through its own connectivity platform to brokers and exchanges, CFM's systems handle the full life cycle of a trade including risk monitoring, operational risk filters, order routing, confirmations, allocations, position keeping and periodical reconciliations. Only certain software for trade message encoding to FIX as well as broker connectivity has been acquired from third party vendors.

4.4.7. Quantitative model: how do you minimize slippage?
The Discus program generates a significant volume of trades; consequently the firm has allocated significant recourses on quantifying and minimizing market impact and slippage.

4.4.8. What is the company's policy with respect to personal account dealing by?
CFM has a staff trading policy, which includes a pre-clearance procedure as well as quarterly and annual filings with compliance.

4.4.9. Does the company make use of "soft dollars"? Describe your policy.
No. CFM complies with the SEC 28(e) safe-harbor in relation to soft dollars.

4.4.10. Does the company or advisor have any relationship, which may affect its trading activity, e.g. associated broker/dealer?
No, the firm is fully independent.

4.5 TRADING COSTS

4.5.1 What are your average trading costs? Please breakdown brokerage and slippage costs?
Total trading costs (including commissions, exchange fees, regulatory fees and clearing) vary between accounts, but they have been < 1% p.a. for the Benchmark Fund. The firm has a policy of not disclosing any slippage costs.

4.5.2 What steps do you take to minimize trading costs?
Within the research team there is a separate group focusing on cost of execution. Cost of execution including brokerage fees is constantly reviewed and exchange memberships may be used to decrease trading/ clearing/ exchange fees. The cost of trading is factored into the trading algorithms as part of CFM's impact and slippage models.

4.5.3 Do you monitor the cost of markets access you may suffer?
Yes.

4.6 CAPACITY MANAGEMENT

4.6.1 What is the maximum capacity of your strategy?
The Discus program is closed.
Currently, CFM estimates that it could manage its programs efficiently with up to US$ 4.5 or 5 billion under management firm-wide. In addition, CFM's capacity could increase with the launch of further trading models and markets, as well as new improved trading technologies.

4.6.2 Please explain the reasons of such limitations.
Liquidity and slippage.

4.6.3 Do you intend to apply a soft close at certain levels? Please explain the rationale behind this decision.
Yes.

5. TRADING ADVISOR RISK MANAGEMENT[9]

5.1. GENERAL OVERVIEW

5.1.1. Discuss risk management framework. Is there a separate risk management team? Is the risk manager authorized to cut positions? If yes, did it already happened and in which circumstances?

CFM's board of Directors (Jean-Philippe Bouchaud, Philippe Jordan, Marc Potters and Jacques Saulière) has primary responsibility in relation to market risk management oversight.

A monthly Investment Committee, which gathers CFM's board of Directors and the heads of each strategy, is responsible for setting and monitoring the risk of the individual trading programs. The research teams monitor market risks on a real-time basis and on a system-by-system basis.

In addition to the primary risk management process conducted under the responsibility of the research team, CFM operates an independent secondary risk management process within its Operations-IT team.

CFM applies a systematic trading approach and CFM's trading models cover both trading signals and portfolio risk management.

Primary risk management is embedded in the trading systems developed by the research team. Risk management is thus an integrated part of the trading process. The research team has tools for monitoring the risk management process on a real-time basis.

Preservation of capital is mission critical at CFM. As a result, CFM's board of Directors has the ability to modify the global risk of the portfolio. If the risk is not in line with its guidelines due to, for example, extreme exogenous events creating specific and unprecedented market dislocations the management board may, on a discretionary basis, act globally on the portfolio for a given period of time (lower the leverage) to avoid relying on statistical approaches, when statistics based on historical market conditions are likely to be no longer relevant.

CFM's overall risk management principles and approach:

A described in 4.2.2, portfolio allocation is built with the objective to equalize the Value at Risk of each strategy; there is no risk/ reward optimization. Leverage is managed to attempt to keep the volatility in a targeted range.

Discretionary de-allocation at stress events: CFM has been evolving as a systematic asset manager since 1991, thus having experienced and been exposed to a number of market crises, extreme events as well as market conditions. Accordingly, CFM, relying on its past experience and judgment based on market conditions, may decide at times to de-leverage a given strategy. This kind of decision is uncommon and does not on average occur more than once or twice a year to reduce the exposure during periods of unfavorable market conditions.

5.1.2. Please describe all the limits for risk management?

Portfolio risk is monitored using various indicators: volatility, typical worst drawdown over 12 months, 95% confidence level drawdown within 12 months, daily VaR at 99% and daily VaR at 99.9%. These figures are computed using a non-Gaussian in-house model based on daily returns.

Value at Risk (daily)

- 99% confidence level: 2.5%
- 99.9% confidence level: 4%

Intra-month drawdown (1-year investment horizon):

- Worst, most probable: 8%
- Worst, 95% confidence: 21%

Monthly drawdown (1-year investment horizon):

- Worst, 95% Confidence: 18%

Apart from portfolio level limits, certain concentration rules are also applied within Discus, the starting point being a "Equi-VaR" portfolio where each traded market bears the same Value at Risk. These values are estimated from a statistical analysis focusing on the tails of the distribution of returns produced by CFM on each market. The non-Gaussian correlations between these tail events are then used to minimize the global Value at Risk. A diversification restraint, expressed as a minimum effective number of assets, ensures that the optimal portfolio is not over-concentrated.

With its systematic approach, CFM has coded its market risk guidelines into each strategy. These guidelines are set by the Investment Committee and CFM's board of Directors. They include traditional limits, such as volatility limits, maximum positions, net/ gross exposure per name/ sector/ region/ market and a number of historical and discretionary stress scenarios. Risk outputs are monitored on a real time basis. The trading program calculates the market risk for the portfolio in real-time, in order to evaluate any breaches of volatility limits. A breach of a volatility limit would lead to the trading program only accepting risk-reducing trades. Certain limits such as maximum order size, maximum net open

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position are monitored pre-trade and a breach would lead to an order not being executed. CFM's risk management is systematically applied to all trading programs.
The market risk guidelines are also communicated to the Risk Manager within the Operations-IT team, who is mandated to independently monitor that the market risk guidelines are followed. In addition, the Operations-IT team devises operational risk limits implemented internally and externally at counterparties.

5.1.3. What do you consider to be your greatest risks (in order of importance)? How do you address these risks?
As the firm's trading strategy is fully systematic, the biggest risk is in relation to IT systems and operations. To mitigate this, CFM focuses a lot on research and systems for controlling operational risk. A large number of limits and alarms are operated in real-time, in order to control and monitor the trading system at all times.

5.1.4. Do you review the portfolio on a real time basis?
Yes: CFM trades all major markets globally and has systems and teams in place to handle this on a 24/6 basis. CFM has data centers in Europe, North America and Asia. CFM maintains offices in Paris, New York and Tokyo.

5.1.5. Explain your risk management methodology:

- **Stress tests, scenario-based. If applicable, how many scenarios? Please detail.**
- **VAR. Please specify the methodology (historical, Monte Carlo, other) and the daily VAR limit.**
- **Sensitivity analysis.**
- **Investment restrictions (authorized instruments, country limits, leverage limits, margin to equity limits…).**

CFM applies a framework of volatility targets and maximum VaR limits. The firm also applies both scenario-based and synthetic scenario-based stress tests on all its portfolios. In addition to the portfolio level targets and limits, there are max position limits per traded contract.

5.1.6. If relevant, discuss your stop-loss policy and its implementation:
CFM does not use stop loss limits. Instead, the in-house models have constraints, so that losses are monitored and capped within the trading environment (real-time management of position size).

5.1.7. Do you use an external risk monitor? If so, who and why that particular one?
In addition to internal risk management systems, CFM requires counterparties (brokers, banks and clearers) to perform a number of checks on its trading activities, independently from CFM. Such checks are typically maximum exposure, gross and net exposure, turnover, quantity per order, market value per order, number of orders per day, number of rejected orders within the FIX environment, etc.
The trading limits are reviewed by CFM's operational risk manager and updated monthly to take into account changes in CFM's trading activity.
The limits have two levels: a breach of the first level will alert the relevant counterparty to call the on-duty team; a breach of the second level will forbid further trading in the relevant product(s).
The underlying idea is to detect any abnormal behavior (e.g., an infinite loop sending similar orders, typical of "rogue algorithmic trading system syndrome") as soon as possible. The number of rejected trades or execution ratios is also important because every exchange/ electronic platform may have a specific set of rules as to the permitted high frequency trading. Too many rejections indicate that the execution algorithm is not suitable for the given market.
As the trading universe of CFM is large (tens of thousands of instruments), systematic monitoring is used to identify abnormal trading activity. The external monitoring provides an extra layer of checks and reduces operational risks.

5.2. LEVERAGE

5.2.1. Discuss your leverage exposure policy and its management over different market cycles:
Leverage is defined by the margin-to-equity ratio for futures: on average, this ratio is 10% (maximum 20%). The leverage is managed systematically with the goal of delivering a constant targeted volatility at the portfolio level for the strategy.
An average of 0.16% of nominal equity is used as margin over a universe of approximately 150 contracts (including back-month). Due to the high frequency nature of this program, the average holding period of a position is about 2 days, helping to mitigate the risk of an overly concentrated and polarized position.

5.2.2. What is your philosophy/process to drive leverage?
The overall leverage is set to keep the VaR within a fixed range. The system seeks to achieve a constant average volatility by adjusting positions by their realized volatility.

5.3. HEDGING

5.3.1. How is the portfolio hedged?
N/A.

5.3.2. How do you determine size and limits for each position/basket?
Please see 5.1.1.

5.3.3. How often do you re-hedge?
N/A.

5.4. LIQUIDITY

5.4.1. How do you measure liquidity risk? Is liquidity a factor in determining the size of a position?
CFM monitors the liquidity of the underlying securities and instruments. The tradable universe is adjusted daily to reflect changes in liquidity.

5.4.2. Discuss the size of illiquid holdings in the fund and explain how they are valued:
None.

5.4.3. What percentage of the portfolio could be liquidated in the following timeframe?
The whole portfolio could be liquidated in one trading session.

5.4.4. Has there been a liquidity problem in the past with the instruments you use? What could create one in the future?
None.

5.5. CONCENTRATION

5.5.1. Please describe Min, Max and Average concentration per position:
CFM monitors the systems independently in every market for every contract and since the systems are relatively rarely in the flat position, the portfolio usually holds a position in a number of contracts thus providing diversification with low concentration. Please see 5.1.2 for more information.

6. TRADING ADVISOR OPERATIONS & NAV CALCULATION[10]

6.1. NAV CALCULATION

6.1.1. Please describe the NAV calculation process

The Administrator of the Benchmark Fund uses Geneva (from Advent) to carry out the fund accounting as well as establishing the NAV of the fund. The primary source for prices of the Administrator is Reuters. As a result of a daily reconciliation process with all counterparties, the Administrator has an independent record of all trades, positions, cash balances and pending events.

The Administrator, who uses its own price sources, values the positions independently. The portfolio of the Benchmark Fund only includes futures and spot FX, which generally are easy to value. Prices and market values are reconciled at end of month between CFM, the Administrator and the counterparties. The pricing provided by the Administrator is the official pricing. CFM only verifies that this pricing reconciles with its own price sources.

The NAV is released to investors once the calculations of the Administrator and CFM have been reconciled within tolerances.

6.1.2. Where assets are valued in-house, please provide a summary of the controls in place to ensure accuracy.

All assets of the Benchmark Fund are valued by the Administrator.

CFM deploys its independent valuation procedure (based on external price sources) and validates the pricing of positions, the GAV and NAV prior to the Administrator releasing the official NAV.

In addition, CFM performs a daily reconciliation with all counterparties in parallel with the Administrator and communicates trade breaks to the Administrator.

At month-end, CFM also reconciles cash, positions, dividends, cash balances with the counterparties and the Administrator.

6.1.3. Who is responsible for obtaining valuations?

Positions of the Benchmark Fund are valued independently by the Administrator, which uses its own price sources.

Please see 6.1.1 for more information.

6.1.4. How much percentage of the portfolio is considered as illiquid complex assets and how are they priced?

The portfolio of the Benchmark Fund only includes listed futures and spot FX, which generally are easy to value.

6.1.5. How are the positions marked (bid, ask or mid)?

Futures: settlement prices. FX Spot: Bloomberg composite at 4.00 PM NY time.

6.1.6. Who checks the marks? How much of the portfolio does the manager have to mark?

CFM does not mark. This is the Administrator who marks, based on third party price sources and CFM checks,

6.1.7. Describe the process of marking OTCs?

N/A.

6.1.8. Can the manager(s) or trader(s) force a trade or override the valuation of assets held in your portfolio?

As the portfolio of the Benchmark Fund only includes futures and spot FX, there is no possibility for the manager to influence this calculation. CFM only review's the pricing of the Administrator and may highlight to the Administrator where there are differences. The published NAV is always based on the valuation of the Administrator.

6.1.9. Has any NAV been restated in the past?

No.

6.1.10. How do you manage collateral and margin calls?

The NAV of the Benchmark Fund is largely held in cash, which is diversified between the counterparties of the master fund (these are currently HSBC Bank Plc, BNP Paribas, JP Morgan Chase Bank NA, Deutsche Bank AG and affiliates, as well as Barclays Bank plc and affiliates). Collateral for supporting trading is held at the two clearing brokers of the master fund. As the margin to equity of the master fund is generally under 20%, this does not limit the diversification between counterparties. Margin calls are handled on a daily basis by the operations team of the firm, which prepare the instructions for collateral movements.

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6.2. COUNTERPARTY RISK

6.2.1. Through how many counterparties do you trade?
Please see 1.5.1 for more information.

6.2.2. Describe your policies for counterparty selection:
CFM only works with leading service providers. We have a procedure for appointing new service providers.

6.2.3. How do you minimize counterparty risk?
Counterparty risk of the Benchmark Fund is minimized through a diversification of counterparties and a continuous search for new potential counterparties. CFM also performs monthly and annual reviews of counterparties.

6.2.4. If relevant, how did you manage the Sentinel/ Bear Stearns/Lehman Brothers exposure?
On August 17th 2007, Sentinel Management Group ("Sentinel"), one of the cash managers of Discus Master Limited ("Discus Master"), a fund that acted as the master fund for the legacy Discus structure, which was also managed by CFM, filed for bankruptcy and was put under the protection of Chapter 11.
As a result of the bankruptcy, the NAV of Discus Master was suspended at the end of August 2007. The liquidity of Discus Master Limited was restored as of October 1st 2007, one and a half month following the bankruptcy event. Since then investors in the legacy Discus funds have been able to redeem their investments with the illiquid portion of assets of Discus Master Limited being paid in side pocket shares. At the date of this document, US$ 131 million corresponding to about 32.2% of the original Sentinel claim has been received as cash distributions (30.7% from the Trustee of the Sentinel Bankruptcy Estate and 1.5% from the cash reserved for administrative and litigation costs at the level of Discus Master Ltd) and was distributed to the holders of the side-pockets. Further distributions may arise, would there be a successful outcome of the numerous litigations pursued by the Trustee.
Discus has not had any exposure to Bear Stearns nor Lehman. Certain other funds managed by CFM did use Lehman as a prime broker. All these funds apart from a small test fund seeded by Lehman redeemed their collateral from Lehman prior to the bankruptcy.

6.3. OPERATIONS / ADMINISTRATION

6.3.1. Detail briefly your accounting and reporting procedures.
CFM distributes monthly and weekly risk reports, weekly gross estimated portfolio returns and monthly net performance estimates to its direct investors in Discus only.

6.3.2. Please Detail:

- **Valuation:** By the Administrator (HSBC Securities Services (Ireland) Limited);
- **Accounting:** By the Administrator (HSBC Securities Services (Ireland) Limited);
- **Operations:** In-house;
- **Reporting:** By the Administrator (HSBC Securities Services (Ireland) Limited); and
- **Administration:** By the Administrator (HSBC Securities Services (Ireland) Limited).

6.3.3. When the function is outsourced, describe the company's mandate.
There is no outsourced function at CFM. The Administrator is mandated by the Benchmark Fund

6.3.4. Please describe procedures for cash-flow wire management?
CFM uses a dual signatory system. Authorized signatories for cash transfers at the Benchmark Fund are Jacques Saulière, Marc Potters and the Head of Legal & Compliance. The mandate requires two out of the three authorized signatures for any transfer other than transfers between accounts held in the name of the Benchmark Fund at certain counterparties.

6.3.5. What is the procedure to move cash out of the prime broker account? How many signatures/approval are requested?
See 6.3.4.

6.3.6. Describe your cash and position reconciliation process. Is there a reconciliation of each trade between the prime broker reports and your "front office" positions?

For futures, the clearers book the trades intra-day based on allocation files received from CFM and confirmed with the executing brokers as well as the various GCM's or the markets where CFM trades as a member.

As a daily end of day process, CFM (considered the most reliable source) sends its trade file to the Administrator, who in turn updates the positions of the Benchmark Fund and reconciles trades, positions, dividends and cash balances with counterparties.

CFM also performs a similar daily reconciliation against the counterparties. As a result, CFM has a daily dual reconciliation for trades, positions, dividends and cash balances between CFM and the counterparties and between the Administrator and counterparties.

7. TRADING ADVISOR INFORMATION TECHNOLOGY[11]

7.1. IT SYSTEMS

7.1.1. Please describe your systems currently in place, specifying hardware and software used:

- **Trading:** Proprietary;
- **Position monitoring:** Proprietary;
- **Book keeping:** Proprietary;
- **Risk management:** Proprietary;
- **Operations/ Accounting:** Proprietary;
- **Market data:** Proprietary;
- **Database:** Proprietary;
- **Mathematical / Statistical tools:** Proprietary.

7.1.2. Quantitative models: please provide details about the trading model (programming language, type of database, user interface…).

Proprietary

7.2. BUSINESS CONTINUITY

7.2.1. Does the company have a formal business continuity management plan? Please describe the basic provisions:

Yes. CFM operates its business from a number of data centers located in Europe, Asia and the US.
The "Main" data centers located in France house hardware and software required for trading, position keeping, risk management and data management as well as all office IT infrastructure on a global basis. Key processes are duplicated between at least two Main data centers.
In order to enable low latency trading the firm also deploys a number of “Satellite” data centers housing trading processes locally. All key servers and links to exchanges, brokers and market data are duplicated with standby connectivity available from a second data center (Satellite or Main). All key data from the Satellites is copied as available to the Main data centers.
The Main data centers are subsequently backed-up off-site. Should a major disaster occur at one of CFM’s premises, all permanent CFM staff has VPN access to the Main data centers. In addition, CFM has access to a backup site for 25 staff in the suburbs of Paris.

7.2.2. What contingency plans?

- **Redundancy of IT infrastructure:**
  CFM operates its business from a number of data centers located in Europe, Asia and the US, with the main data centers located in Paris. These data centers house the servers used by CFM in segregated, air-conditioned data rooms, which have multiple electricity sources and resilient data communications. The Main data centers house all hardware and software infrastructure with regards to trading, position keeping, risk management and data management, as well as office IT infrastructure on a global basis. In order to enable low latency trading, the firm also deploys a number of “Satellite” data centers, which house the trading processes locally.

- **Redundancy of Satellite data centers:**
  All key links to exchanges, brokers and market data are duplicated with standby connectivity available from a second data center (Satellite or Main). All key data from the satellite data centers is copied on a real time basis to the Main data centers. A loss of a Satellite data center could be dealt by restarting a standby process in the Main data center. As a result of such redundancy, the trading process could continue, although possibly at a somewhat degraded latency.

[11] All information in this section concerns the Trading Advisor and the Benchmark Fund, was provided by the Trading Advisor, and has not been verified by Lyxor AM or any of its affiliates

- **Redundancy of the Main data centers:**
  All key links to exchanges, brokers and market data for trading directly from the Main data centers are duplicated with standby connectivity available from a second Main data center. All key data is copied on a real time basis to a second Main data center. A loss of a Main data center could be dealt by restarting a standby process in a second Main data center. In order to ensure continuity, the firm's email system operates on a clustered basis between two Main data centers. All files including production data, software source codes and key documents are duplicated between two Main data centers on an overnight basis.

- **Redundancy of office infrastructure:**
  Should one of CFM's premises be affected by a disaster, all permanent CFM staff have VPN access to the Main data centers and will be able to continue working from home, as well as assisting in maintaining the trading process as well as restoring any lost operations. The procedure for doing this is tested daily, as CFM's staff continuously uses 24/7 VPN access to monitor and maintain trading processes, as well as work on production and administration issues from off-site locations. CFM has rented a business continuity office from a specialist provider in order to provide back-up office space for all key staff in the case of loss of the premises at 6-8 boulevard Haussmann. This has the added benefit of improving the coordination of an emergency situation, as key employees are centralized in one place. The back-up site became operational in Q4 2009.

- **Data & document back-up:**
  As explained above all the key data held at the Satellite data centers is copied to the Main data centers on a real-time basis. All data required to operate the firm is available on servers in the Main data centers. The firm has a policy of scanning and electronically storing all hard or soft key documents, which are saved on CFM's fileservers in the Main data centers and subsequently backed-up off-site together with the general daily back-up procedure. The data held at the Main data centers is backed-up daily to an off-site location.

8. TRASING ADVISOR LEGAL & COMPLIANCE[12]

8.1. COMPLIANCE

8.1.1. Who is responsible for compliance in the company?
Martin Tornqvist is the Head of Legal and Compliance.

8.1.2. Do any of the company's principals have other business involvement? If yes, describe and quantify how much of their professional time is dedicated to each:
No. The exception is Jean-Philippe Bouchaud, who also acts as a professor at Ecole Polytechnique (Paris).

8.1.3. Does a dedicated compliance team exist? Does the company maintain a written compliance manual?
The firm's Compliance team is comprised of 3 persons. There are several Compliance Manuals, as several authorities regulate the firm.

8.1.4. Please describe any current or potential conflict of interest or any relationships which may affect its trading activity (e.g. associated broker/dealer) and describe the actions to mitigate such conflicts of interests
Very few. Jacques Saulière is a Director of certain funds and a director of CFM S.A. Philippe Jordan and Jacques Saulière are both directors of the GP and MM of certain funds, as well as directors of CFM S.A.

8.1.5. Has the company or its principals ever been the subject of any action or warnings from a regulatory body?
No.

8.1.6. Have the auditors ever issued qualified financial statements?
No. Discus Master Limited has had limitations in scope in relation to Sentinel as explained in 6.2.4.

8.2. LEGAL

8.2.1. Have there in the last 10 years, been any criminal, civil, regulatory or administrative proceedings against (i) the Investment Manager or any of its principals or (ii) the Investment Product or any of its directors any similar such matters including reparations, arbitrations and negotiated settlements? If so, please provide details:
No criminal or regulatory actions have ever been brought against CFM; CFM has had proceedings with dismissed employees, which were regulated by "Prud'hommes" court (French court that manages disputes between companies and their employees). These proceedings involved junior employees.

8.2.2. Confirm that the company has established robust Anti-money Laundering (AML) procedures.
Yes. CFM has adopted an AML procedure for accepting new private funds as well as managed accounts as clients. The Benchmark Fund's Administrator operates the AML procedures for the fund.
CFM receives monthly reports from the Administrator on AML issues and ensures on an annual basis through testing of documentation that the Administrator is applying its AML checks appropriately. Regular AML training of the Operations team is organized by the Head of Legal and Compliance. Each training covers the customer verification requirements and record keeping.

[12] All information in this section concerns the Trading Advisor and the Benchmark Fund, was provided by the Trading Advisor, and has not been verified by Lyxor AM or any of its affiliates