

Dear Partners/Investors,

CFM Institutional Systematic Diversified Trust, an equally weighted allocation to CFM's Institutional Systematic suite of products, had estimated net performance of **+0.1405%** MTD and **-1.06%** YTD.

As of end-December 2016, at 9% volatility, CFM ISDiversified had AUM of US\$628m, the IS products in total had AUM of US\$2.4bn and CFM firm-wide AUM stood at US\$7.4bn.

MONTHLY RETURN - CFM ISDIVERSIFIED TRUST: +0.1405%

The returns of CFM ISDiversified's underlying strategies (Long-Term Trend Following, Equity Market Neutral, Risk Premia) represent gross "carve-out" figures resulting from an internal performance attribution process.

Long-Term Trend Following: -0.12%

The program delivered negatively in December, primarily due to positioning in the commodity markets, while all other sectors were positive. The main stories making the headlines in the last month of the year were the Italian referendum result; the ECB's taperless taper; and the Fed's hawkish tone accompanying the fully expected 25bp rate rise at the December FOMC.

The worst asset class for trend following in December was commodities, with only the softs sub-sector delivering positively. Meats was the worst performing sub-sector with, in particular, Lean Hog prices moving against the program's short positioning and producing negative returns in the process. Copper's drop in December was also a big performance detractor; the red metal reversed course mid-month from its recent Trump infrastructure spending inspired northward trajectory. Commodities have been the biggest drag on performance for 2016, with only the meat sector delivering positively; the worst sub-sector on the year was precious metals.

Equity markets finished the year with a flourish as Fed optimism and ECB dovishness supported prices in December with European markets, in particular, finishing well. The ECB managed to taper bond purchases dovishly by reducing the size of purchases but extending the life of the program to the end of 2017, while the Fed surprised markets with a dot-plot showing more rate hikes in 2017 than expected. The best performing contract was the FTSE 100, rising through the month and bringing positive performance for the program's long positions. The FTSE 100 has climbed 17% in 2016, benefitting from the fall in sterling, with the index being made up of many companies with significant overseas incomes.

Interest rate and FX exposure contributed positively to performance. At the long end of the curve, the recovery in German sovereign debt in the second half of December was profitable for the program's long positions, with Italian debt following suit despite the result of the country's referendum, rejecting Matteo Renzi's proposed constitutional reforms, with rising Italian Government bond prices detracting from performance against short positions in the contract. Program performance was also slightly positive in FX markets, the biggest contributor coming from the British pound's fall on the back of news that the European Court of Justice had ruled that a post-Brexit UK trade deal could be vetoed by any single EU member state.

Performance was evenly distributed through the month of December with the worst day being -0.33% on 12 December, all sectors were negative on that day. Heading into the New Year, the program retains its overall long position in equity indices, a net short in bonds, a long dollar position, a diversified mix in commodities with a slight net short and a net long in STIR markets.

Equity Market Neutral: -0.05%

Momentum: -0.13%

The Momentum cluster was up in the US, down in Europe, and flat elsewhere. From an industry sector perspective, the best and worst were Consumer, Cyclical, and Consumer, Non-Cyclical, respectively.

The portfolio had its worst single-name loss on Micron Technology Inc. on 22 December, when the shares of the semiconductor technology company soared by more than 12% after a better-than-expected earnings report was posted.



Value: +0.54%

The Value strategy was positive everywhere this month, with the main contributions coming from Europe and Japan. Industrial and Technology were the best and worst industry sectors, respectively. Performance was distributed evenly throughout the month and no single-name events impacted performance significantly.

Quality: -0.46%

The Quality program was negative across all zones in December. The most notable single-name events concerned two biopharmaceutical companies on 12 December: the shares of Ophthotech Corporation plunged 79% towards a record low in active premarket trade, after the company said two phase 3 trials of its age-related vision loss treatment failed to meet their primary endpoints. On the same day, the stock price of the rare disease-focused Alexion Pharmaceuticals Inc. fell by more than 13% after the company announced a surprise change to its senior management team. In both cases, the Quality portfolio benefited from the move.

Risk Premia: +0.31%

FX Carry Trade: +0.03%

The big event in FX was the dollar's climb in response to the hawkish but optimistic tone of the Fed following the much anticipated 25bp December rate hike. The program performed positively in December with the principal contributors being the Euro, the Brazilian Real and the Indian Rupee, while the main detractor was the Australian Dollar. The Fed announcement mid-month drove major European currencies lower relative to the greenback, while Mario Draghi successfully convinced the market that he was dovishly tapering bond purchases, adding weight to the Euro's fall. The program is naturally short the European single currency and therefore profited from the move. The Indian Rupee recovered from the November Trump sell-off following the Reserve Bank of India's surprise decision to keep rates on hold at 6.25% in December. The currency rose on the news, falling back slightly in the second half of December but staying in positive territory and creating a profit for the program's longs. The Brazilian Real was also a casualty of the November Trump rise in the dollar and regained some ground in December, the program's longs again benefitting from the move. The Reserve Bank of Australia kept interest rates steady and adopted a hesitant tone in December, the Australian Dollar fell through the month against the program's longs and was the biggest performance detractor of the month.

The month's performance was evenly distributed with the worst day at -0.2% on December 1 and the best day at 0.3% on December 15. This performance came on the day following the Fed announcement with the main contribution coming from the Euro and the Swiss Franc. The FX carry strategy performed positively in 2016 with the main contribution coming from the European Majors – the Euro, the Swiss Franc and the British Pound, while the biggest performance detractor on the year was the Mexican Peso.

Short Volatility: +0.27%

December was a good month for selling implied volatility with all asset classes contributing positively with the exception of FX. The best performance came from commodities with short Crude volatility positions being the best performer of the month. The news at the end of November of an agreement between OPEC members to reduce oil production has seen a sustained increase in Crude prices and a fall in Crude implied volatility in December. The agreement carried extra weight following the news that OPEC had also won the backing of countries outside the Cartel to reduce output for the first time since 2001. Short equity index volatility was also profitable in December with performance coming mainly from European and US equity indices. Equities rallied through the month with the Fed's FOMC statement providing reassuring optimism, despite a hawkish dot-plot, while the ECB extended the length of bond purchases until the end of 2017. The VIX remained steady, fluctuating from highs of 14 points to lows of 11 points in December. The only performance detractors were short volatility positions in the Euro and the British Pound. The Fed's forecasted rapid rate hikes in 2017 and beyond was dollar supportive, providing a lift for currency volatility in the second half of December.

Performance was evenly distributed through the month with the worst day being -0.25% on December 15, the day after the Fed's FOMC announcement, with losses coming primarily from short FX volatility positioning. 2016 was overall a good year for being short volatility, with every asset class delivering positively. The best performer was short S&P 500 index volatility while the biggest performance detractor was, perhaps unsurprisingly, short British Pound volatility positions.

Please feel free to contact us for any additional information or with any questions you may have.

The Board: Jean-Philippe Bouchaud, Philippe Jordan, Laurent Laloux, Marc Potters, Jacques Saulière

Unit Price **A\$.98370**
 December ROR **+0.14 %**
 Year to date ROR **-1.06 %**
 FUM ISD Trust **A\$49m**
 FUM¹ ISD Strategy **US\$628m**

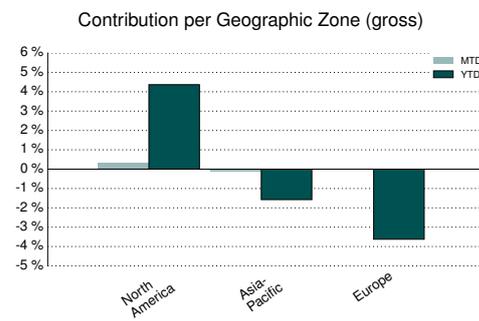
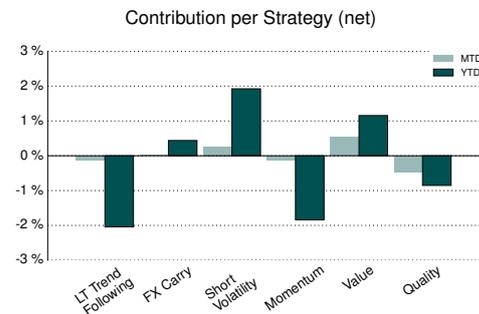
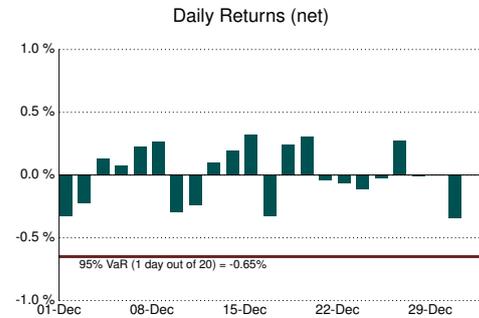
Estimated Monthly Report - December 2016

Fund Details

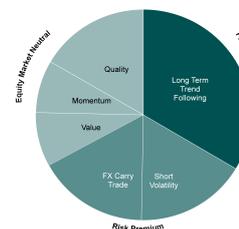
Fund Objective	To achieve long-term capital appreciation through returns that seek to be uncorrelated with traditional asset classes. The Fund targets a Sharpe Ratio exceeding 0.8 over the investment cycle.
Benchmark	N/A
Inception Date	11 Nov 2015
APIR	PIM0034AU
Mgt Fee	1 %
Performance fee	10 %
Buy/sell	N/A
Min Investment	\$ 50,000
Distribution frequency	Yearly as at 30 June
Pricing	Weekly
Investor time horizon	3 - 5 years

CFM ISDiversified Strategies

Futures	Long Term Trend Following: momentum in five asset classes
Risk Premia	FX Carry Trade: long high-yielding currencies; short low-yielding currencies Short Volatility: short delta-hedged options at constant risk
Equity Market Neutral	Momentum: long term trend on stock residuals Value: long value (low price to fundamentals) and short growth (high price to fundamentals) Quality: assessing stock quality using fundamental data



Risk Allocation by Strategy



Monthly Returns since Inception (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015											0.0	-0.5	-0.5
2016	1.5	-0.2	-0.1	-3.1	0.9	-1.1	1.3	0.5	1.0	-0.2	-1.5	0.1	-1.1

Performance Figures (%)

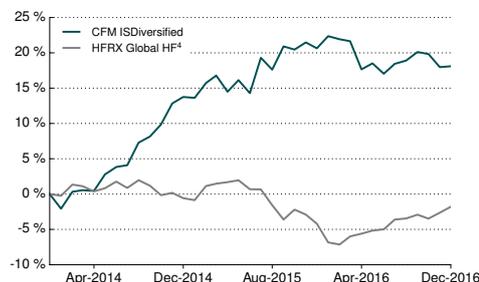
	3 months	6 months	Calendar YTD	1 Year	2 Years (annualised)	Since Inception (annualised)
CFM ISDiversified Trust ²	-1.5	1.3	-1.1	-1.1		-1.4
Offshore strategy in USD ³	-1.7	0.9	-2.1	-2.1	1.9	5.7

OFFSHORE STRATEGY IN USD ³

Performance Analysis

	Since Inception	Last 12 months
Total Cumulative Return	18.1 %	-2.1 %
Annualized Rate of Return	5.7 %	-2.1 %
% of Positive Months	61.1 %	50.0 %
Best Month	4.4 %	1.4 %
Worst Month	-3.3 %	-3.3 %
Peak to Valley Drawdown	-4.3 %	-4.3 %
Annualized Standard Deviation	5.6 %	4.6 %
Sharpe Ratio	1.0	-
Correlation ⁵ between ISDiversified and		
HFRX Global HF ⁴	0.31	-0.01
Barclay's Global Agg ⁶	0.17	0.42
MSCI World Index ⁷	0.21	-0.01

Cumulative Returns since Inception



Monthly Returns since Inception (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	-2.1	2.4	0.2	-0.1	2.3	1.0	0.2	3.1	0.8	1.6	2.7	0.8	13.8
2015	-0.1	1.9	0.9	-2.0	1.4	-1.6	4.4	-1.4	2.8	-0.4	0.8	-0.7	6.1
2016	1.4	-0.4	-0.2	-3.3	0.7	-1.2	1.2	0.4	1.0	-0.2	-1.5	0.1	-2.1

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IMPORTANT DISCLOSURES

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¹ FUM based on the leveraged equity of the Master fund of CFM ISDiversified.

² Returns based on the official NAV of CFM Institutional Systematic Diversified Trust - AUD 6% Volatility.

³ The benchmark fund is CFM Institutional Systematic Diversified Fund LP - USD 6% volatility

⁴ HFRX Global Hedge Fund Index

⁵ Correlation coefficients are calculated using daily time series

⁶ Barclays Capital Global Aggregate Bond Index USD Hedged Standard Leverage

⁷ MSCI World Index USD Daily Total Return Net