

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 **+0.50% MTD** and **+0.50% YTD**. As of end-August 2016, at 6% volatility, CFM ISDiversified had AUM of US\$506m, the IS products in total had AUM of US\$1.5bn and CFM firm-wide AUM stood at US\$6.9bn.

MONTHLY RETURN ATTRIBUTION

CFM ISDiversified Trust: +0.50%

Long-Term Trend Following: -0.42%

All sectors were negative in August with the exception of Short Term Interest Rate futures. The worst performing asset class was Commodities followed by Bonds, with Equity Indices and FX only slightly negative. August was notable for a bullish oil market as OPEC countries debated whether to loosen up on supply and a rallying dollar in the second half of the month as the Fed picked up its hawkish rhetoric.

Commodities were the worst performing sector with Precious Metal and Energy contracts the worst performing commodity sub-sectors. Precious Metal contracts detracted from performance in equal amounts as a sell-off accelerated in the second half of August, moving against the program's longs, with Gold, Silver and Platinum all moving south in response to the dollar's strength following various hawkish statements from the Fed. Oil and its derivatives rose through the month on speculation of a possible output freeze from OPEC countries, these moves going against the long term trend creating losses for the program in particular for Brent and Gasoil. Cotton was a big mover against the long term trend, detracting from the performance and bringing the softs sub-sector into negative territory for the month.

Bond futures delivered negatively for the trend with the biggest detractors being JGBs and Korean 3-year bonds. The first few days of August saw JGBs collapsing, with yields rising to levels seen at the start of 2016, following the Bank of Japan's decision to expand monetary policy far less than expected and to "comprehensively review" policy for the next central bank meeting in September. The move represented a strong reversal against one of the biggest trends of 2016. Korean bonds also moved against the trend, falling in price on expectations of higher consumer inflation in August. Performance at the short end of the curve came in slightly positive for the month.

FX markets delivered slightly negative performance in August, the biggest detractor was the Japanese Yen with the program's longs taking a hit, in particular at month-end, as the Yen weakened against the greenback. Equity indices were also slightly negative with no particular outliers. The program's positioning on the DAX reversed mid-month to see out the end of the month long.

Heading into September the program continues to be globally long Bonds and STIR futures and mostly long Equity Index futures. Positioning in the commodity sector is relatively neutral with many offsetting longs and shorts. In FX the program is predominantly long dollar with dollar shorts against the Japanese Yen and Australian and New Zealand dollars.

Equity Market Neutral: -0.07%

Momentum: -0.63%

The Momentum program was negative across all zones this month and the best and worst industry sectors were Energy and Basic Materials, respectively. A long position on the Japanese drug company Ono Pharmaceutical Co. led to a loss on 8 August, but this was offset by the performance of the Quality portfolio on the same stock (see below). The strategy's long positions on Vestas Wind Systems A/S, a Danish company active within the wind power industry, proved profitable on 18 August, when the stock jumped 10% after a positive earnings announcement.

Value: +0.33%

The Value book was up in Europe and Japan, and flat elsewhere. Its anti-correlation to the Momentum book helped mitigate the losses generated by the latter. The book's performance was evenly distributed through the month with no notable single-name events to speak of.

Quality: +0.23%

The Quality cluster was negative in Europe, positive in the US, and flat elsewhere. Sector-wise, the best and worst contributions came from Consumer, Non-Cyclical, and Communications, respectively.

The most remarkable single-name events which impacted the Quality performance this month were on two drug companies related by a commercial partnership: Ono Pharmaceutical Co., which plunged in Japan trading on 8 August after its partner, Bristol-Myers Squibb, announced that a drug they worked on jointly failed in a lung cancer trial that would have been the basis for widely expanding use of the treatment. The portfolio held short positions on both stocks and made a profit when market participants reacted negatively to the news. It is worth mentioning that, similar to the Momentum cluster, the Quality portfolio was long on Vestas Wind Systems on 18 August, which contributed a second time to the positive performance of the equity book.

Risk Premia: +0.94%

FX Carry Trade: +0.23%

The FX carry trade contributed positively to performance in August, with the biggest contributors being the Swiss Franc, the Mexican Peso and the Euro, while the biggest detractors were the South African Rand and the Australian dollar. The Fed appeared more and more hawkish as the month went on, culminating in a small dollar rally against most currencies over the last week of August. The Swiss Franc sold off through the month benefitting the program's shorts; the Swiss Franc does not seem to have strengthened as much as one would expect despite the volatility of the past few months, in particular against the Euro. The next best performer was the Mexican Peso, falling the least through the month compared to non-developed market peers and proving slightly profitable for the program's long positions. The currency remains one of the year's worst performers, however, falling almost 9% this year against the dollar. The biggest performance detractor was the South African Rand, falling sharply towards month-end against the program's longs, the currency suffering in light of the hawkish rhetoric from the Fed.

Short Volatility: +0.71%

August was a good month for being short hedged options with each sector contributing positively. The best performing asset class was Equity Indices followed by Commodities, Bonds and FX. Implied volatilities generally fell at month-start, staying low despite a slight pick-up at month-end. The biggest contributor to the positive performance for equity indices were Nikkei options, with implied volatility falling and the Japanese stock market rallying. Mini S&P options also delivered positively despite the S&P 500 index's relatively flat performance in August. Gold and Crude oil markets contributed equally to performance with both being relatively subdued in terms of implied volatility. FX contributions were evenly split, with volatilities remaining calm following the Brexit storm of the past few months.

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

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

Note: the performance attribution figures for the underlying strategies are based on the benchmark fund, CFM ISDiversified Fund LP - USD Standard Leverage.

Unit Price **A\$.98934**
 August ROR **+0.50 %**
 Year to date ROR **-0.52 %**
 FUM ISD Trust **A\$42m**
 FUM¹ ISD Strategy **US\$506m**

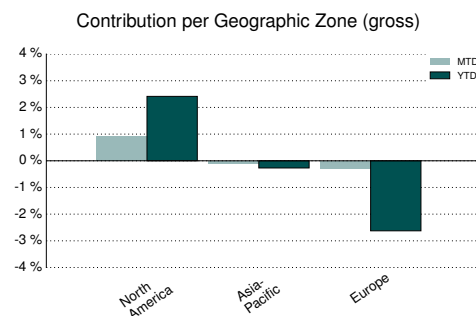
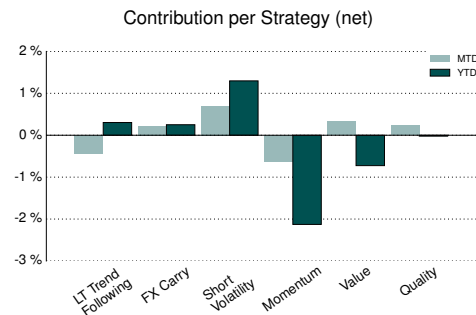
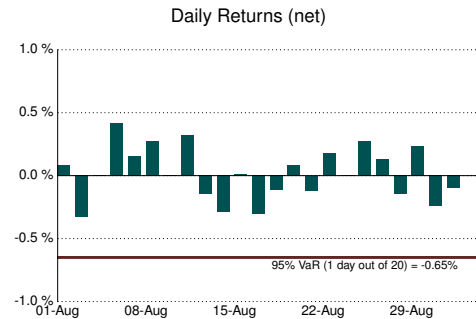
Estimated Monthly Report - August 2016

Fund Details

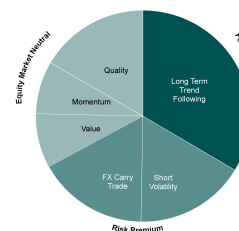
Fund Objective	To achieve long-term capital appreciation through returns that seek to be uncorrelated with traditional asset classes. The Fund targets a Sharpe Ratio exceeding 0.8 over the investment cycle.
Benchmark	N/A
Inception Date	11 Nov 2015
APIR	PIM0034AU
Mgt Fee	1 %
Performance fee	10 %
Buy/sell	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					-0.5

Performance Figures (%)

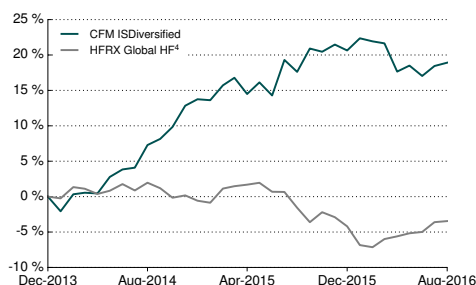
	1 month	3 months	Calendar YTD	1 Year	2 Years (annualised)	Since Inception (annualised)
CFM ISDiversified Trust ²	0.5	0.7	-0.5			-1.3
Offshore strategy in USD ³	0.4	0.3	-1.4	1.1	5.3	6.7

OFFSHORE STRATEGY IN USD ³

Performance Analysis

	Since Inception	Last 12 months
Total Cumulative Return	18.9 %	1.1 %
Annualized Rate of Return	6.7 %	1.1 %
% of Positive Months	62.5 %	50.0 %
Best Month	4.4 %	2.8 %
Worst Month	-3.3 %	-3.3 %
Peak to Valley Drawdown	-4.3 %	-4.3 %
Annualized Standard Deviation	5.8 %	5.3 %
Sharpe Ratio	1.1	0.2
Correlation ⁵ between ISDiversified and		
HFRX Global HF ⁴	0.31	-0.08
Barclay's Global Agg ⁶	0.12	0.37
MSCI World Index ⁷	0.20	-0.13

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					-1.4

CONTACTS

Tel: 1800-435-788

web: CFMAltBeta.com.au

e-mail: cfm@cfmaltbeta.com.au

IMPORTANT DISCLOSURES

This document is issued by Capital Fund Management LLP ("CFM LLP") in relation to the CFM Institutional Systematic Diversified Trust (the "Fund"). Pursuant to ASIC Class Order 03/1099, CFM LLP, the investment manager of the Fund, is exempt from the requirement to hold an Australian financial services license under the Corporations Act. CFM LLP is regulated by the UK Financial Conduct Authority under the law of England and Wales, which differ from Australian laws. The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235 150 ("Perpetual") is the trustee of, and issuer of units in the Fund. The information provided in this document is general information only and does not constitute investment or other advice. The content of this document does not constitute an offer or solicitation to subscribe for units in the Fund. CFM LLP accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. Any investment decision in connection with the Fund should only be made based on the information contained in the applicable Product Disclosure Statement of the Fund. Performance figures assume reinvestment of income. Past performance is not a reliable indicator of future performance. An investment in the Fund carries significant risk of loss. Neither CFM LLP nor Perpetual guarantee repayment of capital or any particular rate of return from the Fund. Neither CFM LLP nor Perpetual give any representation or warranty as to the reliability or accuracy of the information contained in this document. All opinions and estimates included in this document constitute judgments of CFM LLP as at the date of this document and are subject to change without notice.

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