

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 **-0.16%** MTD and **+0.28%** YTD.

As of end-October 2016, at 9% volatility, CFM ISDiversified had AUM of US\$617m, the IS products in total had AUM of US\$1.7bn and CFM firm-wide AUM stood at US\$7.4bn.

Capital Fund Management is pleased to announce the appointment of Laurent Laloux as Chief Product Officer and Board Director. In this newly-created role Dr. Laloux will manage product development with a particular focus on evolving CFM's research and IT capabilities, to best support the firm's growth and broader offering. The appointment follows the ongoing success of the Institutional Systematic (IS) program, CFM's range of alternative beta products, which has raised over US\$1.6bn since its launch in 2013. The IS program encompasses a number of strategies designed to deliver genuinely diversified returns at attractive fees within a framework of constant risk.

The Board is delighted to welcome Laurent in what is the first such appointment in more than 10 years. Our continued growth and ambitions for scale necessitate careful management to ensure that, as our business evolves, we retain and build on the firm's capabilities in a holistic fashion that reflects our increasingly varied investor base. Over his 20-year career at CFM, Laurent has built and managed some of our most successful strategies, making him ideally placed to play a prominent role in managing the firm's evolution from a hedge fund business to a broader asset manager.

Laurent joins the Board at an exciting and important juncture for CFM, as we use our collective capabilities and academic approach to broaden our offering in a way that captures the commercial opportunities we see and preserves the culture that our investors value.

MONTHLY RETURN ATTRIBUTION

CFM ISDiversified Trust: -0.16%

Long-Term Trend Following: -2.05%

October proved to be a difficult month for trend following with every sector delivering negatively. The worst performer was Interest Rates followed by Commodities, while FX and Equity Indices detracted from performance to a far lesser extent. The main stories dominating the headlines were the market's efforts to second guess central banks, an aggressive move south for the British Pound in preparation for a hard Brexit and a dollar move north pre-empting Fed tightening before year-end. The end of the month saw an increasingly uncertain outcome in the US presidential election weighing on equities and the dollar.

Bonds took a nosedive in October on both sides of the Atlantic, with the Fed minutes showing unease for several governors at the inaction in last month's meeting with the decision not to increase rates being a close call. The ECB, meanwhile, did not even address the subject of extending QE beyond March 2017 at their policy meeting mid-month. Gilt yields also climbed higher in the UK as the increasing probability of a hard Brexit from the EU took its toll on the pound and reduced the attractiveness of its debt. The biggest detractors to performance for the program were the German and UK government debt futures contracts, along with the Short Sterling and Euribor short rate futures, with prices moving against the program's longs.

Commodity markets delivered negative performance predominantly in the Precious Metal and Meat sub-sectors. Gold and Silver fell in price at the start of the month in response to a rising dollar on the back of the Fed minutes increasing the chance of December rate rises, moving against the program's long positions, while Hog and Cattle prices recovered from mid-month lows to finish the month rallying against the program's shorts. US equities fell in October with the Fed looking likely to raise rates before the end of the year, while the FBI's announcement that new evidence in Hillary Clinton's e-mails would be investigated brought uncertainty to the US presidential election result and weighed heavily on US Equities at month-end. The program's losses for Equity Indices came principally from long positions in US Futures. Losses in FX, meanwhile, came principally from reversals of long term trends in the Yen and the Mexican Peso.

Heading into November, the program maintains globally long positions in bonds with only the US Treasury Futures being flat. The short end of the curve is also net long with STIR positioning short only in Canada and Switzerland. Commodity positioning is a mix of longs and shorts with an overall slightly negative net exposure,

while Equity Index positioning is net long with only the MSCI Singapore and the Nikkei short. Within the FX sector, there is little net US dollar exposure as Australian dollar, New Zealand dollar and Japanese Yen longs offset shorts elsewhere.

Equity Market Neutral: +0.78%

Momentum: +0.04%

The Momentum cluster was positive in the US, negative in Europe, and flat in APAC. The most significant single-name event happened on 6 October, when Twitter plunged nearly 20% after the influential tech news site Recode reported that Google's owner, Alphabet, which had been viewed as the most likely acquirer, was not going to bid for the company. As a consequence of the short exposure, the system made a significant profit from the move. Another positive single-name event of note was on 26 October, when the shares of embattled fast-food chain Chipotle slumped 9% following a third-quarter report that failed to show signs of a turnaround. Again, Momentum benefited from a short exposure to the stock.

Value: +0.90%

Value had a good month and was positive everywhere, but the most important contribution came from the European pool. The performance was even through the month but suffered on 18 October, when a short position on Netflix led to a significant loss after the web streaming giant reported blowout third-quarter earnings and soared as much as 20 percent.

Quality: -0.16%

The Quality cluster was positive in all zones with the exception of the European pool, where the losses were large enough as to not be offset by the gains elsewhere, making the program end the month in negative territory. The best and worst sectors were Consumer, Cyclical, and Communications, respectively. The worst daily performance, which occurred on 20 October, was driven by a loss from a long position on eBay Inc., whose shares plunged 11% following the firm's weak forecast of results.

Risk Premia: +1.07%

FX Carry Trade: +0.60%

October proved profitable for the FX carry portfolio with performance coming from the Mexican Peso, the Yen and from the majors in Europe – the British Pound, the Euro and the Swiss Franc. Negative performance came from long positioning in the Australian and New Zealand dollars.

The US dollar's strength was felt predominantly on the other side of the Atlantic, as Europe's principal currencies suffered from the market's perception of an increasingly likely Fed rate hike before year-end. The British Pound also felt the weight of the British government's aggressive tone towards Brexit from the EU without maintaining access to the single market with heavy selling pressure at the beginning of the month as a result. The program was short the Pound, the Euro and the Swiss Franc and thus profited from these moves. The Mexican Peso, meanwhile, rose through October, maintaining its role as bellwether for the result of the US election, as Donald Trump's chances of electoral success seemed to wane. The Mexican currency weakened at month-end, however, with the news that the FBI would reinvestigate new e-mails discovered in connection with former Secretary of State Hillary Clinton's private e-mail server. The Mexican currency's net rise in October resulted in positive returns for the program's longs. The Japanese Yen suffered a reversal from its recent trend with a sell-off through the month against dollar strength and bringing reward for the program's short positions. Net longs for the Australian and New Zealand dollars detracted from performance, as both currencies suffered in October.

Short Volatility: +0.47%

October was a good month for being short volatility across a range of underlyings with only short positions in Gold and the British Pound delivering negative performance. The best performer was options on US 10 Year Treasuries, while short option positions in Equity Indices were positive across the board.

The VIX rose mid-month as the market digested news of a hard Brexit and hawkish central bank views; these volatility moves, however, did not detract from a solid short Equity Index volatility position. The British Pound fell and the currency's implied volatility rose to the highest level since the referendum with the British Prime Minister, Theresa May, announcing that Article 50 would be triggered by March 2017, clearing a two year path



towards the country leaving the EU, creating losses for the program's short pound options. Gold implied volatility climbed as the yellow metal gyrated against October speculation of a December Fed rate rise, putting upward pressure on the dollar and creating losses for the program's short Gold option positions. Increasing uncertainty in the US presidential elections pushed implied volatilities globally higher, in particular at month-end, but the program managed to stay robustly in positive territory.

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\$.99706
 October ROR -0.16 %
 Year to date ROR +0.28 %
 FUM ISD Trust A\$47m
 FUM¹ ISD Strategy US\$617m

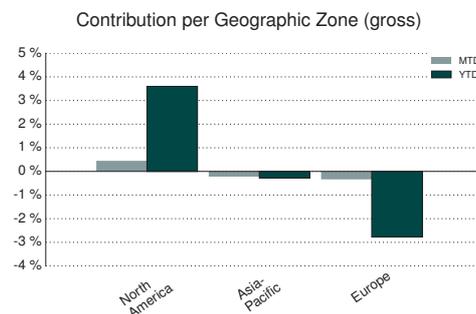
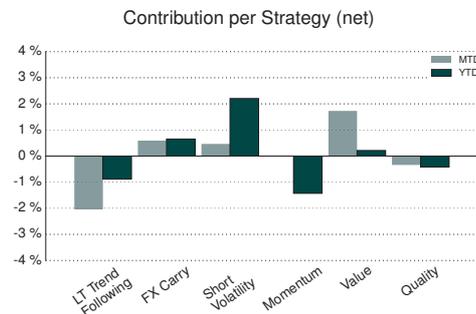
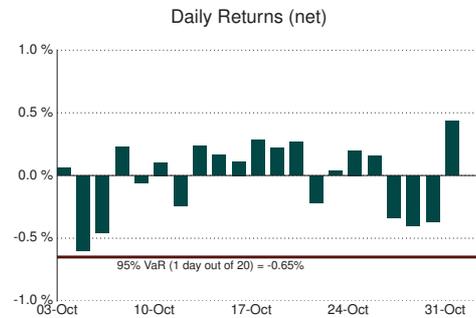
Estimated Monthly Report - October 2016

Fund Details

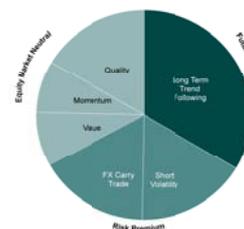
Fund Objective	To achieve long-term capital appreciation through returns that seek to be uncorrelated with traditional asset classes. The Fund targets a Sharpe Ratio exceeding 0.8 over the investment cycle.
Benchmark	N/A
Inception Date	11 Nov 2015
APIR	PIM0034AU
Mgt Fee	1 %
Performance fee	10 %
Buy/sell	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			0.3

Performance Figures (%)

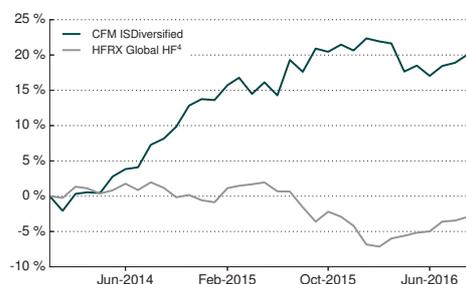
	3 months	6 months	Calendar YTD	1 Year	2 Years (annualised)	Since Inception (annualised)
CFM ISDiversified Trust ²	1.3	2.3	0.3	-0.3		-0.3
Offshore strategy in USD ³	1.2	1.8	-0.7	-0.5	4.4	6.6

OFFSHORE STRATEGY IN USD ³

Performance Analysis

	Since Inception	Last 12 months
Total Cumulative Return	19.8 %	-0.5 %
Annualized Rate of Return	6.6 %	-0.5 %
% of Positive Months	61.8 %	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	5.7 %	4.5 %
Sharpe Ratio	1.1	-
Correlation ⁵ between ISDiversified and		
HFRX Global HF ⁴	0.32	0.03
Barclay's Global Agg ⁶	0.16	0.44
MSCI World Index ⁷	0.22	-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			-0.7

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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