

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 **+2.2828%** MTD and **+2.02%** YTD.

As of end-February 2017, at 6% volatility, the CFM ISDiversified Strategy had AUM of US\$712m, the ISD Program, which includes managed accounts, had AUM of US\$1.6bn, while CFM firm-wide AUM stood at US\$7.8bn.

## **MONTHLY RETURN - CFM ISDIVERSIFIED TRUST: +2.2828%**

*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: +0.86%**

February was a good month for trending with performance coming from the interest rate and equity index sectors, with negative performance in FX and commodities. The month was notable for a hawkish Fed and rising dollar and a record breaking US equity market.

The program's positioning on equity index futures led the way in terms of performance in February, predominantly due to long positions in the US equity markets. The S&P 500 index reached a record close of 2369 on 27 February, while the Dow Jones Industrial Average registered a 12th successive record closing high, the longest such run in the last 30 years. Equity indices elsewhere generally gained ground in February but the US was the star performer. All equity index positioning was positive or, at worst, flat. The program closed out the month with long positions across the board, having flipped a short on the Singapore market in February.

Interest rate market positioning also delivered positively, in particular due to German bonds. It is unclear why German sovereign debt rose in value in February, the more frequently discussed topic being the spread between French and German debt. The increasing probability of a President Marine Le Pen has pushed French yields higher over the past few months along with the French German yield spread. Despite this widening spread, German paper rising more than French paper, the trend of French debt reversed course in February, producing a losing position for the program's shorts. At the short end of the curve, positive performance came predominantly from a long Short Sterling position.

FX positions produced negative performance this month, with the worst performer being the Mexican Peso. The Mexican central bank has raised interest rates every month since Donald Trump's election and is selling US dollars to international investors. In February, the currency gained and reversed course against its recent trend producing a losing position for the program. In commodity markets, negative performance in grains and meats offset positive performance predominantly in the softs sub-sector.

The risk of the program was normal in February with no particular outliers and returns that were evenly distributed throughout the month. We head into March with a long equity index position, a balanced long and short position in interest rates, a slight dollar long in FX and a diversified commodity exposure with a net close to zero.

### **Equity Market Neutral: +0.24%**

#### Momentum: +0.24%

Momentum was positive in Europe and US, but negative in Japan; the best and worst sectors were Technology, and Consumer, Non-Cyclical, respectively. The portfolio experienced its worst single-name loss on 23 February, when Nvidia Corporation's stock price dropped following an analyst' downgrade. On the winning side, on 16 February the program profited from a 9% jump of the tech company NetEase's stocks as a consequence of a strong earnings report.

#### Value: +0.05%

The Value program was positive in Japan and flat elsewhere. The main losses came from the Consumer, Non-Cyclical industry sector, while Energy stocks were the best contributor for the month. The most notable single-name event was on 22 February, when Serco Group Inc., a UK-based provider of public services, saw their share price drop by 20% after reporting a significant decline in its 2016 revenue; the Value portfolio made a profit from its short positions.

Quality: -0.05%

The Quality strategy was up in Europe, but down in US and Japan; the best and worst sectors were Consumer, Cyclical, and Consumer, Non-Cyclical, respectively. On 3 February the share price of the Medecines Company ended the day up about 21% after an announcement from one of its competitors, Amgen, gave investors hope that the Medecines Company's drug will have a larger potential market; the portfolio lost with the unexpected market reaction.

**Risk Premia: +1.27%**

FX Carry Trade: +0.68%

February was a good month for the FX Carry portfolio with positive performance, in particular, from positioning in the Euro, the Swiss Franc, the Mexican Peso, the Australian Dollar and the Turkish Lira dominating over only a few losing positions. The biggest performers on the month were shorts in the Swiss Franc and the Euro, both currencies tumbling in February against a backdrop of uncertainty for the future of the Eurozone, in a year weighed down by political risk. The US dollar generally rose in February, as the Fed looked likely to raise interest rates sooner rather than later. The Australian dollar rose against the greenback in February and is one of the best performers of 2017, as the country's central bank keeps interest rates steady and China's economy continues to perform. The move in the Aussie produced positive cash flow for the program's longs. The Mexican Peso climbed in value in February and generated positive performance for the program. The Mexican central bank has repeatedly increased interest rates over the past few months and also been selling US dollars on the market providing a cushion under the currency. Also producing positive performance for the program were longs in the Turkish Lira, which rose through the month. The risk of the program was well controlled in February, with the worst day being 16 February when the program lost 0.25%, predominantly on the Euro and Swiss Franc.

Short Volatility: +0.59%

February was a good month for short volatility with all hedged short option positions delivering positively. The best performance came from the program's Crude oil options. Implied volatility in the Crude markets has fallen since the OPEC meeting in December where it was decided, in collaboration with non-OPEC countries, to reduce production, creating a good environment for short hedged option positioning. Performance was equally distributed between the other hedged option portfolios in the book. Only a slight pick-up in US equity index-implied volatility produced a flat performance for mini S&P options, while other equity index positioning was positive, the best performance coming from being short hedged Nikkei options. There were no particular outlier days in February as the risk control engine comfortably navigated the market environment.

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\$ 1.00366**  
 February ROR **+2.28 %**  
 Year to date ROR **+2.02 %**  
 FUM ISD Trust **A\$51m**  
 FUM<sup>1</sup> ISD Strategy **US\$712m**

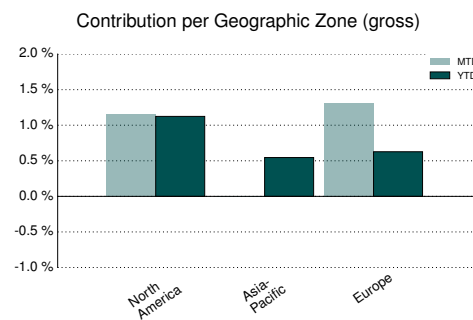
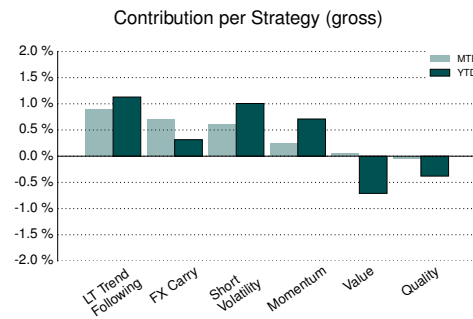
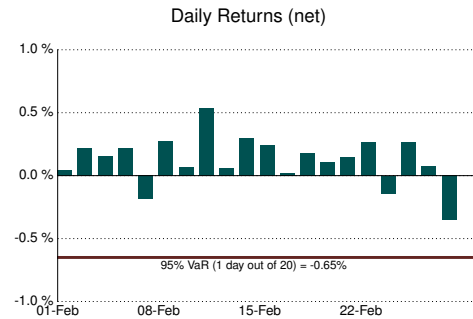
Estimated Monthly Report - February 2017

**Fund Details**

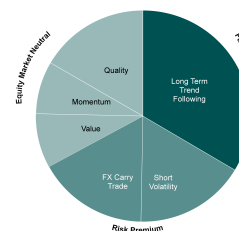
Fund Objective	To achieve long-term capital appreciation through returns that seek to be uncorrelated with traditional asset classes. The Fund targets a Sharpe Ratio exceeding 0.8 over the investment cycle.
Benchmark	N/A
Inception Date	11 Nov 2015
APIR	PIM0034AU
Mgt Fee	1 %
Performance fee	10 %
Buy/sell	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
2017	-0.3	2.3											2.0

Performance Figures (%)

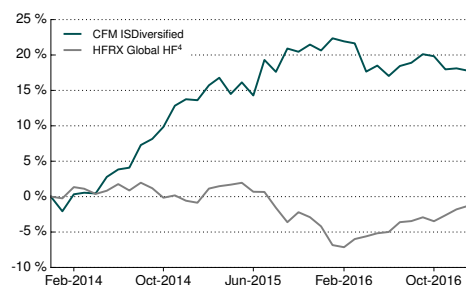
	3 months	6 months	Calendar YTD	1 Year	2 Years (annualised)	Since Inception (annualised)
CFM ISDiversified Trust <sup>2</sup>	2.2	1.5	2.0	-0.3		0.3
Offshore strategy in USD <sup>3</sup>	2.2	1.4	2.1	-1.1	2.1	6.1

## OFFSHORE STRATEGY IN USD <sup>3</sup>

### Performance Analysis

	Since Inception	Last 12 months
Total Cumulative Return	20.6 %	-1.1 %
Annualized Rate of Return	6.1 %	-1.1 %
% of Positive Months	60.5 %	50.0 %
Best Month	4.4 %	2.4 %
Worst Month	-3.3 %	-3.3 %
Peak to Valley Drawdown	-4.3 %	-4.0 %
Annualized Standard Deviation	5.6 %	5.1 %
Sharpe Ratio	1.1	-
Correlation <sup>5</sup> between ISDiversified and		
HFRX Global HF <sup>4</sup>	0.31	0.04
Barclay's Global Agg <sup>6</sup>	0.16	0.33
MSCI World Index <sup>7</sup>	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
2017	-0.3	2.4											2.1

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### IMPORTANT DISCLOSURES

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<sup>1</sup> FUM based on the leveraged equity of the Master fund of CFM ISDiversified.

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

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

<sup>4</sup> HFRX Global Hedge Fund Index

<sup>5</sup> Correlation coefficients are calculated using daily time series

<sup>6</sup> Barclays Capital Global Aggregate Bond Index USD Hedged Standard Leverage

<sup>7</sup> MSCI World Index USD Daily Total Return Net