

## Fund objective

CFM Institutional Systematic Diversified (ISDiversified) is a multi-strategy Alternative Beta program which aims to deliver positive returns over the long term with low historical correlation to traditional asset classes. The program is composed of strategies that have been observed to persist over long periods of time and is invested equally across three strategies: long term trend following, equity market neutral and risk premia.

## Key facts [1]

<b>A\$ 1.03465</b>	Unit Price
<b>-0.30%</b>	November ROR
<b>+5.99%</b>	Year to date ROR
<b>A\$53m</b>	FUM ISD Trust
<b>US\$1.2bn</b>	FUM Master

## Key benefits

- A diversified multi-strategy approach
- Risk managed at a target volatility
- Low historical correlation to traditional asset classes
- Aims to provide cost effective access to alternative strategies

## ISD Trust monthly returns since inception (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015											0.0	-0.6	-0.6
2016	1.5	-0.2	-0.1	-3.1	0.9	-1.1	1.3	0.5	1.0	-0.2	-1.5	0.2	-1.1
2017	-0.3	2.3	-0.5	0.5	-0.2	-1.8	2.8	2.1	-1.2	2.6	-0.3		6.0

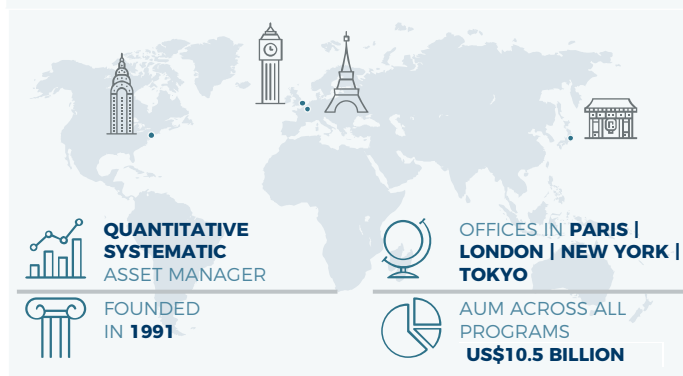
## Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	1.0	4.1	6.0	6.2	2.1		2.0
Offshore strategy in USD	0.9	3.2	5.0	5.1	1.0	3.2	5.7

## Fund details

Inception date:	11 Nov 2015
AIPR:	PIM0034AU
Management fee:	1%
Fund expenses:	Capped at 0.3%
Performance fee:	10%
Buy/sell:	N/A
Min investment:	\$50,000
Distribution frequency:	Yearly as at 30 June
Pricing:	Daily
Investor time horizon:	3-5 years
Benchmark:	N/A

## CFM overview



## CFM approach

### Research

A dynamic research team dedicated to developing new strategies, improving execution algorithms and refining portfolio construction techniques

### Technology

Developing proprietary platforms to implement structured trading strategies across key exchanges

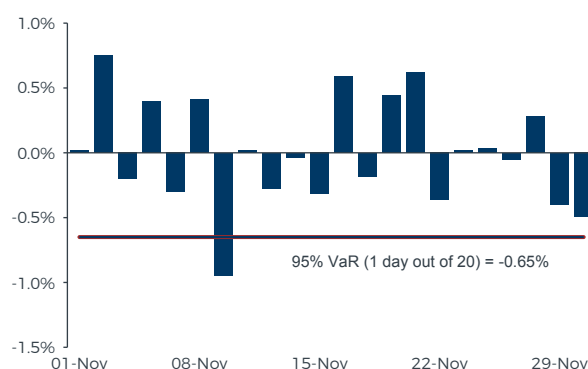
### Risk Management

An independent risk team providing a multi-layered approach to market and operational risk

### Collaboration

A collegiate culture of cross-discipline teams fosters an environment of innovation and performance

## ISDiversified Trust daily returns (net) [2]



[1] FUM based on the equity of the master fund of the Fund, R CFM Diversified Fund, which is trading in accordance with the CFM ISDiversified trading program, as modified to accommodate the rules and restrictions imposed by UCITS, Directive 2014/91/EU such as the restriction to invest in commodities underlyings.

[2] The strategy figures are based on the performance of the offshore fund, CFM Institutional Systematic Diversified Fund LP - USD 6% Volatility (CFM ISD LP), which applies a similar trading strategy and target volatility as the Fund. Since June 2017, the performance of the Fund is, however, not fully comparable with that of CFM ISD LP, which includes an allocation to commodities

(that is compensated by a slightly lower allocation to the other asset classes), that is not included in the Fund.

[3] HFRX Global Hedge Fund Index

[4] Correlation coefficients are calculated using daily time series

[5] Barclays Capital Global Aggregate Bond Index USD Hedged Standard Leverage

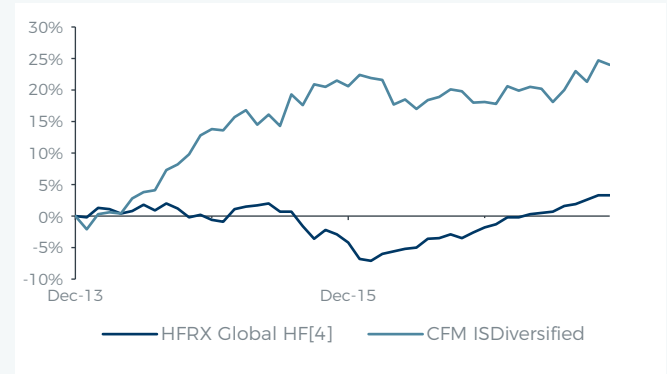
[6] MSCI World Index USD Daily Total Return Net

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS. THERE IS RISK OF LOSS WHEN INVESTING IN A MANAGED ACCOUNT OR A FUND.

## Performance analysis

	Since Inception	Last 12 months
Total Cumulative Return	24.0%	5.1%
Annualized Rate of Return	5.7%	5.1%
% of Positive Months	57.4%	50.0%
Best Month	4.4%	2.8%
Worst Month	-3.3%	-1.8%
Peak to Valley Drawdown	-4.3%	-2.1%
Annualized Standard Deviation	5.6%	5.3%
Sharpe Ratio	1.0	0.8
Correlation[5] between ISD and		
HFRX Global HF[2]	0.33	0.47
Barclays Global Agg[4]	0.13	-0.03
MSCI World Index[5]	0.24	0.41

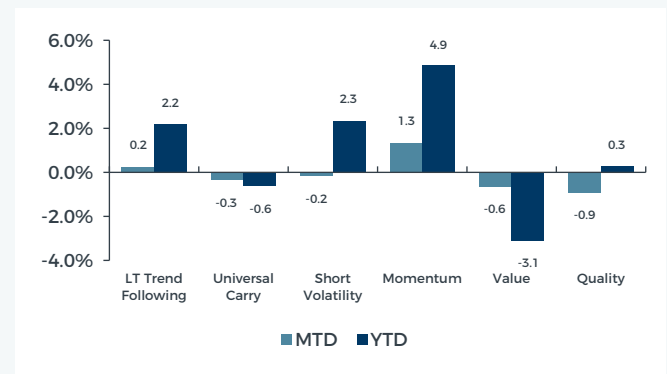
## Cumulative returns since inception



## Monthly returns since inception (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	-2.1	2.5	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	-1.6	0.1	-2.1
2017	-0.3	2.4	-0.6	0.5	-0.2	-1.8	1.6	2.5	-1.3	2.8	-0.6		5.0

## Contribution per strategy (gross)



## CFM ISDiversified strategies

### Futures

**Long Term Trend Following**  
Seeks to extract returns from momentum across four asset classes with equal risk allocation to each

Portfolio construction uses a proprietary, adapted mean variance optimisation technique

### Risk Premia

**Universal Carry**  
Long high-yielding assets; short low-yielding assets

**Short Volatility**  
Short delta-hedged options at targeted risk

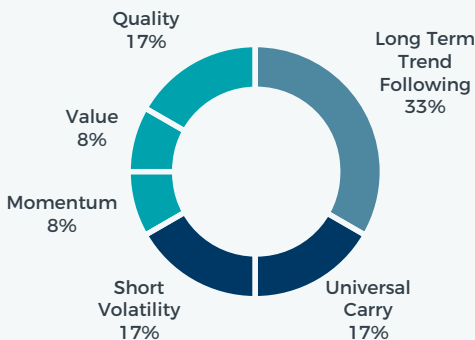
### Equity Market Neutral

**Momentum**  
Long term trend on stock residuals

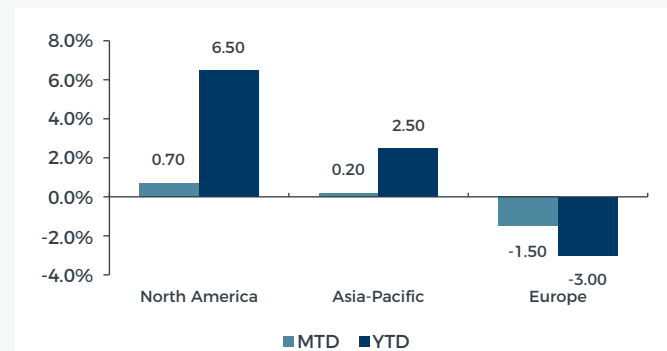
**Value**  
Long value (low price to fundamentals) and short growth (high price to fundamentals)

**Quality**  
Assessing stock quality using fundamental data

## Risk allocation by strategy



## Contribution per geographic zone (gross)



## For further details



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## Important Disclosures

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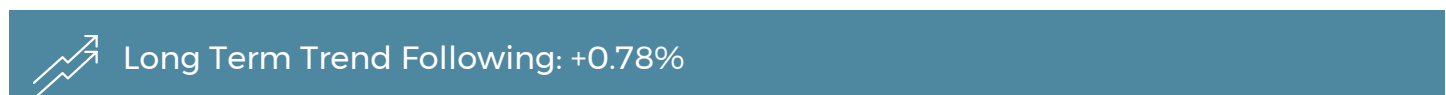
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## Key performance figures

Performance	FUM	
<b>-0.2987%</b> Monthly Return	<b>AUD\$53m</b> (AUD\$53m equity)	ISDiversified Trust FUM (6% vol)
<b>+5.99%</b> YTD Return	<b>US\$2.8bn</b> (US\$2.4bn equity)	ISDiversified Program FUM (6% vol)
	<b>US\$10.5bn</b> (US\$8.4bn equity)	Firm-wide FUM

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

## Performance report



The Long Term Trend Following program started, similar to October, with exclusively positive performance during the first week of the month. Performance of the program was, however, evenly split between positive and negative returns but finished the month up.

Equity Indices were the best performing sector, echoing results of prior months. The Hang Seng was the best performing contract over the period, recording positive returns on our long position as strong performance from technology index heavyweights and an increase of money flows from mainland China pushed the index to multi-year highs. In near unison, the S&P500, reflective of a confidence in synchronized global economic growth (93% of countries showing positive economic growth according to the latest IMF World Economic Outlook); along with strong earnings (especially tech and pharma constituents); and imminent US tax stimulus, rose to fresh rounds of record highs on our long position. However, whilst most other indices were up or largely flat, our long position on European equities detracted from the overall positive performance as the euro's rise (along with the slide of heavily weighted firms such as Siemens AG and Sanofi over the period) halted its hitherto resilient rally.

The euro recovered from its October end-of-month slump as concerns around the constitutional crisis in Catalonia receded. The currency also found support as a flurry of business and consumer confidence surveys (EU Economic Sentiment increased to 114.2, the highest level since June 2007) pointed to a broad-based economic growth scenario for the continent. Our long positioning on the single currency led the way for a solid performance of major currencies over the period. Meanwhile, a flattening of the US-curve garnered positive flows for our short position on short-dated US notes: 2-year note yields were boosted by an expected December hike by the US Federal Reserve (above 90% probability as calculated by the CME 'FedWatch Tool' - an indicator that is based on Fed Fund futures contract prices). The 10-year yield however remained near flat as tepid inflation worries persist.

The program's biggest one day gain came on November 21 when global equities rallied and the Hang Seng reached a 10-year high, closing above 30,000 for the first time since November 2, 2007. Heading into December, a position of net Long Equities and Bonds is maintained. Meanwhile, STIR futures and dollar positioning is close to net flat.


**Equity Market Neutral: -0.21%**

The EMN strategy was negative through a turbulent period, with the biggest gains on November 1, and the greatest losses on November 9.

Newell Brands, the maker of the famed Sharpie marker, was the month's best single name performer when the share price tumbled as much as 27% on our short position on November 2. The firm, whose Q3 results missed analysts' forecasts, blamed sluggish retail and back-to-school sales. General Electric, the storied company whose share price has dropped nearly 40% since the start of 2017, saw its woes continue as a dividend cut and major corporate restructuring was badly received by markets. Our short positioning saw strong back-to-back gains on November 13 and 14 when the stock plunged 7% and 6% respectively. Vestas Wind Systems, on the other hand, delivered the biggest loss for a single stock over the period. The world's largest manufacturers of wind turbines reported earnings that trailed analysts' estimates amidst intensifying competition and a price war in the supply chain for wind energy. The stock price plunged 19% on our long position.

The program's statistical factor neutral position maintains its net long position in the Technology (although slightly reduced over the period); Consumer, Cyclical; Basic Materials and Financial (marginally increased) sectors. Meanwhile, the program's net short position in Consumer, Non-Cyclical and Energy is retained, with other sectors largely neutral. Statistical factor neutrality translates to only small net exposures to these industrial sectors.

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**Momentum: +1.58%**

The cluster upheld its positive performance, with Momentum in European equities outperforming other regions. Returns were uniformly dispersed, apart from a notable risk-off move during the second week, and a distinct rotation from Technology to Finance and Value stocks over the last week. The cluster suffered a decline on November 29 as Republicans moved closer to passing tax reform legislation, sending 'FANG' stocks sharply lower.

While 2 to 3 sigma losses were reported for the momentum factor in the market on November 29, the returns of our momentum implementation remained within our statistical envelope. Momentum returns in November were primarily driven by the Basic Materials sector whilst Consumer, Cyclical fared the worst.

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**Value: -0.78%**

The Value cluster's losing streak continued unabated. Negative or flat performance was recorded in each region, specifically in Europe, making it the worst performing factor year-to-date. A slight rotation away from Consumer, Non-Cyclical advanced our slightly long position in favour of Financials. Basic Materials featured as the worst performing sector, whilst Communications eked out a few basis point gains.

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**Quality: -1.02%**

Performance for the Quality cluster reversed its fortunes from October and slipped into negative territory. The strongest performance was seen in the US, whilst the European market had its worst monthly performance of 2017. Basic Materials and the Industrial sector were the worst and best performers respectively.


**Risk Premia: -0.78%**


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**Universal Carry: -0.39%**

November was only the second month for our Universal Carry strategy after having transitioned the program from a single (FX only) to a multi-strategy portfolio (Equity Indices, FX, and Interest Rates). The month proved particularly challenging, with all sectors down over the period except for Bonds, which was all but flat.

The FX strategy ended in negative territory, particularly as the euro surged over the month on bullish growth sentiment in the currency bloc. The single currency received fresh impetus mid-month as Germany posted better than expected GDP figures (Q3 GDP rose 0.8% against economists' expectations of 0.6% - in addition to an upward revised Q1 figure). The single biggest loss of the program came on November 24, when the euro reached a two-month high as both Manufacturing and Services PMI readings (60 and 56.2 respectively) surprised on the upside and assisted in reassuring markets of a comprehensive European growth trajectory. An end to the political deadlock in Berlin also looked more likely

and served as further stimulus. Gains from a selection of G7+ currencies helped to dampen the overall losses, notably from the Indian rupee and South African rand.

Some gains were made in Bonds, especially on our long positioning on both the long and short end of the Australian curve. While the Australian bonds took direction from the US Federal Reserve – largely following US interest rates markets on some uncertainty about post-December rate hikes – a downgrade in inflation forecasts from the Reserve Bank of Australia on November 10 (from a range of 1½ - 2½ to 1¾ for year-end 2017 and 2018) was decisive in pushing yields down. Performance was randomly distributed during the month, although days with negative performance outnumbered the positives. Going into December, the program maintains net long positions in Equity Indices and Short Term Interest Rates and net short positions in Bonds, and the dollar.

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**Short Volatility: -0.39%**

November saw the program provide negative returns, mostly dragged down by delta hedged options on Equity Indices and Currencies. The Bond sector portfolio performed well for the program and its biggest one day move occurred on November 24, as markets, digesting the release of the Fed minutes, considered a rise of the Fed funds rate in December a near certainty. The US curve is at its flattest in a decade, with the spread between the 2-year note and benchmark 10-year having closed in to a range of around 60 basis points.

The program's hedged S&P options brought the most negative cash flow to the program: fresh optimism about corporate tax cuts along with news that Jay Powell, nominee to replace incumbent Yellen as Chairman of the Federal Reserve, may pursue a tighter monetary policy, sent several US index benchmarks to record highs.

Implied volatility on US markets ended the month at a comparable level to the start of November, notwithstanding a distinct spike mid-month as market nerves and hedging activity sent the VIX to 13 points (as the underlying S&P500 fell as much as 0.8% on the opening bell on November 15). Moves on European and Japanese equity markets took cue from the US, and finished the month flat.