

Strategy overview

Capital Fund Management (CFM) believes that certain well known investment strategies can provide portfolio diversification as a result of returns that seek to be uncorrelated to traditional equity and bond markets. These strategies, conceptually simple, plausible and transparent, are scalable and have historically been persistent over long time horizons. With appropriate technology and implementation expertise, we believe they can be harvested.

We call these strategies Alternative Beta. Alternative Beta can enable better portfolio outcomes, through the benefits of a more diversified portfolio.

CFM is a pioneer of Alternative Beta investing, leveraging a 27 year systematic investment track record, a global research and investment team, and an extensive investment in implementation and risk management technology and expertise.

The CFM ISDiversified Trust (the Fund) provides investors with a diversified exposure to Alternative Beta strategies within a single diversified portfolio, as a core component of an investor's alternative allocation.

Alternative Beta

True Alpha

- ▶ Actively managed
- ▶ Difficult to identify in true form
- ▶ Seeking price discrepancies, typically shorter-term, to generate outsized excess returns
- ▶ Seeks to be uncorrelated to traditional indices
- ▶ Heavy implementation costs
- ▶ Higher cost to access, i.e. '2/20' fee structure
- ▶ Prone to signal decay

Examples

- ▶ Multi-strategy programs with diversifying absolute return profile



Traditional Beta

- ▶ Passively managed
- ▶ Comparably easy and cheap to access
- ▶ Typically longer term
- ▶ Less prone to signal decay
- ▶ Correlated to traditional markets

Examples

- ▶ SPDR S&P 500 (SPY)
- ▶ MSCI World (NDDUWI)
- ▶ SPDR Barclays Agg. Bond ETF (LAG)

Alternative Beta

- ▶ Provides exposure that have been historically persistent to pricing anomalies seeking to generate returns uncorrelated to equity and fixed income beta

Examples

- ▶ Trend following futures, market neutral equities, carry trade, short implied volatility, merger arbitrage, other risk premia.

Key details

Class A	
Asset class	The fund provides investors with a highly diversified exposure to Alternative Beta, via systematic, rules-based investing.
Objective	Seeks to achieve long-term capital appreciation through returns that target to be uncorrelated with traditional asset classes. The Fund targets a Sharpe Ratio exceeding 0.8 over the investment cycle.
Annualised volatility target	Approximately 6%
Type of fund	Registered Australian Managed Investment Scheme
Style	Diversified Multi Strategy Alternative Beta
Inception date	1 December 2015
Minimum initial investment	A\$50,000
Distribution frequency	Annually as at 30 June
APIR code	PIM0034AU
Morningstar Ticker	41062
Bloomberg	PIMC034:AU
Management fee	1%
Performance fee	10%
Fund expenses	Capped at 0.3% p.a (both fund and master fund)
Pricing/liquidity	Daily
Buy/sell spread	Nil, except when net applications and withdrawals for a Dealing Day exceed any dilution threshold of the Fund

Investment style

A research driven, systematic approach, focused on investing in persistent market anomalies across a diversified portfolio of strategies that exhibit low historical correlation to traditional equity and bond markets. The core diversifying strategies of the Fund are outlined in the table below.

Trends	Risk Premia	Equity Market Neutral	Value
<p>Designed to capture long term trends across a wide range of markets and assets. This is a diversified, low turnover portfolio that seeks to harvest trend returns via futures contracts across five asset classes, and more than 50 markets. Exposure to price delta on Government Bonds, Short-Term Interest Rates, Currencies, Credit and Equity Indices.</p>	<p>USD Investment strategies that capture the 'insurance risk' type premium in financial markets. Strategies include universal multi-asset carry strategies covering Currencies, Credit, Government Bonds, STIR, and Equities markets, and a multi-asset class volatility premium with exposure to Government Bonds, Equity Indices, Currencies and the VIX index.</p>	<p>Market neutral exposure to a diversified portfolio of longer-term equity factors, based on price and fundamental data. Included are multiple single-name stock implementations of momentum, value, and quality, currently comprising a diversified portfolio of approximately 1,500 positions selected from a universe of over 3,000 stocks across multiple geographical markets.</p>	<p>Exploits the fact that prices are mean reverting on the timescale of years. The program buys/sells cheap/expensive instruments in the futures/FX forwards relative to both price based and fundamental value metrics.</p>

About CFM

CFM is a global investment manager and pioneer in the field of systematic alternative investment strategies. A 27 year track record of innovation in finance and economics underpins a systematic, scientific and quantitative approach to identifying and implementing statistically significant investment strategies. Robust, rigorous research, combined with a significant implementation platform, enables us to provide diversified and de-correlated investment strategies for our investors. CFM trades liquid instruments across global markets, including futures, equities, bonds, credit, options, and spot and forward foreign exchange.

CFM is proud to be leading the vanguard of investment managers seizing opportunities arising from global data proliferation. Undergirded by an investment in our people, our world-class research capability, a broad and deep data repository and extensive technology infrastructure, every strategy implemented by the firm is tested for statistical robustness and persistence.

For further details



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Based in Paris with offices in London, New York and Tokyo, we work in

partnership with our clients worldwide. Find out more at: cfmaltbeta.com.au

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