Fund Fact Sheet

INSIGHT. DATA. CLARITY.

CFM ISDiversified Trust

Alternative Beta
February 2018

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 across four strategies: Trends, Equity Market Neutral, Risk Premia and Universal Value.

Key facts [1]

A$1.01525	Unit Price
-3.29%	February ROR
-3.05%	Year to date ROR
A$57m	FUM ISD Trust
US$1.4bn	FUM Master

Key benefits

- A diversified multi-strategy approach
- Risk managed to 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	1.3	**7.4**
2018	0.2	-3.3											**-3.1**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	-1.8	-0.8	-3.1	2.0	0.8		1.0
Offshore strategy in USD	-3.0	-2.2	-4.2	-0.3	-0.7	1.3	4.5

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:	A$50,000
Distribution frequency:	Yearly as at 30 June
Pricing:	Daily
Investor time horizon:	3-5 years
Benchmark:	N/A

CFM overview

QUANTITATIVE SYSTEMATIC ASSET MANAGER

OFFICES IN **PARIS | LONDON | NEW YORK | TOKYO**

FOUNDED IN **1991**

AUM ACROSS ALL PROGRAMS **US$11.1 BILLION**

CFM approach

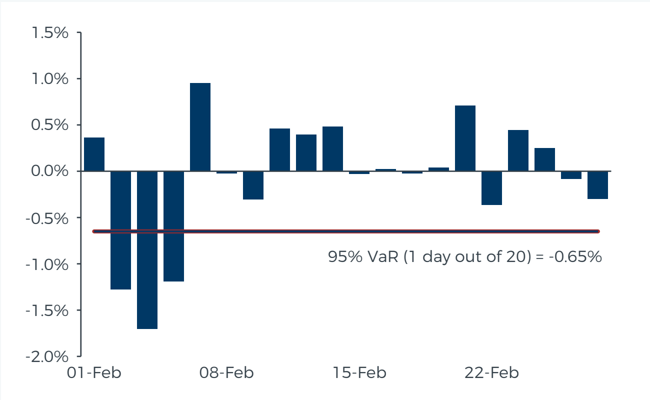
Research
A dynamic research team dedicated to developing new strategies, improving execution algorithms and refining portfolio construction techniques

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 leveraged 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] Correlation coefficients are calculated using daily time series

[4] HFRX Global Hedge Fund Index

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

[6] MSCI World Index USD Daily Total Return Net

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Unless otherwise specified, all monthly performance figures are based on the official NAV of CFM ISDiversified Trust.

Offshore Benchmark Strategy in USD [2]

February 2018

Performance analysis

	Since Inception	Last 12 months
Total Cumulative Return	20.3%	-0.3%
Annualized Rate of Return	4.5%	-0.3%
% of Positive Months	56.0%	41.7%
Best Month	4.4%	2.8%
Worst Month	-3.6%	-3.6%
Peak to Valley Drawdown	-4.3%	-4.1%
Annualized Standard Deviation	5.8%	6.4%
Sharpe Ratio	0.7	-
Correlation[3] between ISD and		
HFRX Global HF[5]	0.36	0.54
Barclays Global-Agg[5]	0.12	-0.01
MSCI World Index[6]	0.27	0.56

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	1.2	**6.2**
2018	-0.6	-3.6											**-4.2**

CFM ISDiversified strategies

Trends

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

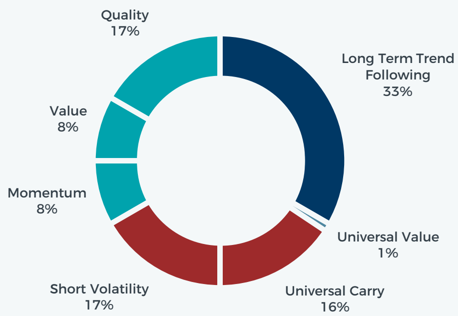
Universal Value*

Seeks to exploit value from the mean-reversion of prices on the timescale of years.

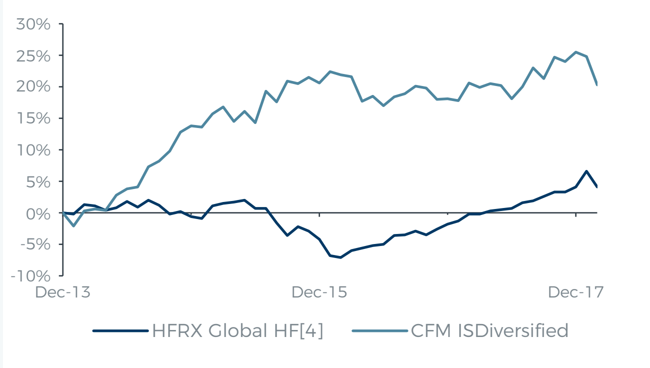
The program buys/sells cheap/expensive instruments in the futures/FX universe relative to both price based and fundamental value metrics.

Portfolio construction uses a proprietary, adapted mean variance optimisation technique.

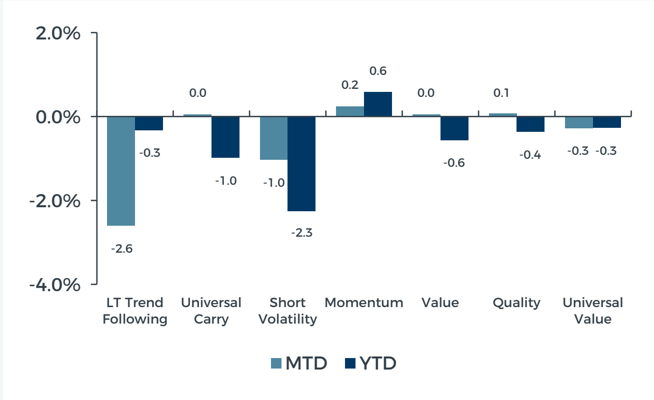
Strategy AUM allocation



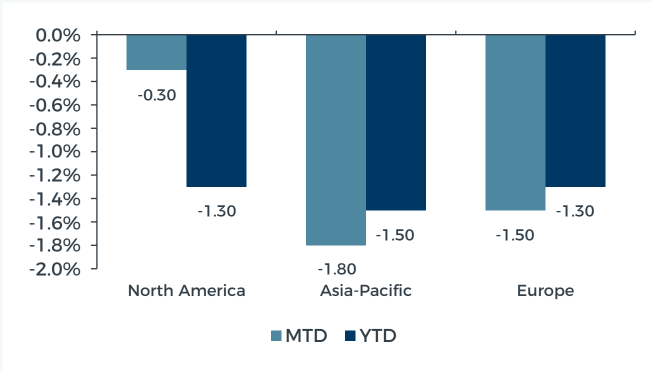
Cumulative returns since inception



Contribution per strategy (gross)



Contribution per geographic zone (gross)



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Important Disclosures

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* The Universal Value strategy was added in January 2018 with a 1% assets weight and will be increased progressively to a target of 10% of strategy weight.

CFM ISDiversified Trust

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Key performance figures

Performance		FUM		
-3.2879%	Monthly Return	**AUD$57m**	(AUD$57m equity)	ISDiversified Trust FUM (6% vol)
-3.0525%	YTD Return	**US$3.5bn**	(US$3.0bn equity)	ISDiversified Program FUM (6% vol)
		US$11.1bn	(US$9.0bn equity)	Firm-wide FUM

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

Performance report

Trends: -3.38%

After a solid start to 2018, the program delivered negative returns, as markets stuttered in the first week of February, Global financial markets, taking a cue from US markets that showed how sensitive they have become to swings in expectations of interest rate increases, posted steep declines, notably during the week of February 5. Wide consensus suggests that the genesis for the sell-off was, in all likelihood, the better than expected wage increase in the (positive) January Employment Situation report. Wages increased by an annualized rate of 2.9% (seasonally adjusted), fanning an already jittery market that expected inflation pressure to prompt a more aggressive trajectory of rate increases. The belief is that the Fed will be unable to stick to their "gradual normalization" path that they have been touting. The turmoil that followed was classic herd behaviour, combined with a large unwinding of short-volatility bets.

Equity indices, the most publicized victim of the sell-off, saw, for example the S&P 500 and MSCI World Index down 5.2% and 5.6% respectively for the week ending February 9, and 3.9% and 4.3% respectively for the month. Our mostly long positioning in global equity indices was, as a result of the sell-off, the biggest casualty and worst performing sector over the period. The program posted six straight negative days starting February 2, but, nevertheless, posted more positive than negative trading days overall as markets recovered towards month-end, notably after US inflation figures for January beat estimates on the upside. This acted as a push into positive territory – mainly thanks to our short positioning on the short-end of US treasuries as bond markets sold off. Inflation was arguably the key metric markets were awaiting (notably PCE, the Fed's preferred measure), as it has been deemed the bogeyman since wage increases stoked fears of a faster tightening cycle, and, higher bond yields that will depress the present value of hitherto solid corporate earnings. Those fears, for the moment at least, have been realised, as prices increased by 0.5% MoM in January – the most in five years.

Our long position in the S&P 500 provided the biggest losses, followed by our long position in the Hang Seng. Short positions in the FTSE, Dax, and Spanish IBEX, however, garnered a few basis points for the program.

The program's risk control protocol reduced the net long exposure during the month, along with a flip from a net long to a net short position on the Eurostoxx, CAC40, and Toronto Composite indices.

Global interest rate markets also navigated a choppy February session, with much talk of US Treasury yields reaching multi-year highs. Yields were given more fuel on February 21, as the US Fed released the minutes of its January policy meeting, revealing a belief of the US economy strengthening its momentum, as participants "anticipated that the rate of economic growth in 2018 would exceed their estimates of its sustainable longer-run pace". Buttressing the argument of further increases in short-term interest rates, the US two-year yield touched a nine-year high of 2.28% whilst the 10-year tiptoed ever closer to the 3% mark. Our long position in the US Ultra Bond (30-year) came in as the biggest casualty of the rate jumps, whilst our short position on the shorter end of the scale (notably the German 2-year Schatz) managed to contribute positively to the program. Short Term Interest Rates were the only positive sector, owing, in large part, to our short position in the eurodollar.

Currencies were slightly down as rising yields, along with investors postulating additional interest rate rises this year, stoked the dollar to its best monthly showing since November 2016 (the dollar was up 1.7% as measured by the DXY, or dollar index). Our long position in the euro was subsequently the main detractor of the sector, as the single currency lost 1.8% against the dollar, owing, largely, to the evolving yield story in the US. Our long position in the Yen was the best performing contract as the Japanese currency surged to ¥106.5 against the greenback mid-month, a 15-month high, in a probable flight to quality trade.

At the start of March, the program maintains its net long Equity indices position, whilst a net short Bonds and STIR futures position is maintained. We also retain a net long dollar position.

Equity Market Neutral: +0.48%

The EMN strategy, akin to Trends, suffered sizeable losses during the first week of the month. Market neutrality was nevertheless maintained: no clear sector rotation was observed and a robust recovery was the dominant theme for the remainder of the period. The strategy had 7 negative days (February 8, amidst the drawdown, being the worst day) versus 12 positive days.

The Consumer, Non-Cyclical and Technology sectors held the top performing single stocks within the top 50, with ten of the best single-day returning securities apiece. The only sectors that featured no stocks within the top 50 were Financials and Utilities. Consumer, Cyclical was the worst performing sector on account of holding 13 of the worst 50 performing single securities during the month.

A marginal long position in the Technology (further reduced from January 2017); Consumer, Cyclical (slightly increased), and Basic Materials and Financial sectors (no change) are maintained within the program's statistical factor neutral position. The strategy's somewhat short position in Consumer, Non-Cyclical, Energy and Industrial sectors (short exposure mostly unchanged) were also maintained, whereas other sector exposures remain low.

Momentum: +0.29%

The Momentum cluster featured solid performance, with all regions bar Japan finishing up over the month. The lacklustre showing in Japan was brought on by near-universal negative performance from all sectors (lead by Industrials), while only the Technology and Financial sectors ended the month slightly in the black.

US securities led the way for this clusters' positive showing, as Consumer, Non-Cyclical and the Energy sectors outperformed the muted returns of all other sectors.

Value: +0.06%

After a particularly challenging start to the year, the Value cluster won some reprieve with flat monthly performance. European value stocks were the only ones cherished by investors over the period, as all other regions were down or unremarkably flat. European value stocks were universally positive (or flat) with the lone exception of the Financial sector, which suffered losses from February 1 to 6 before recovering slightly. Better performance was hamstrung by US equities (led by Communications) whereas globally, the Industrial and Energy sectors fared best, with others mostly flat.

Quality: +0.14%

The Quality cluster also shrugged off a disappointing January with positive performance in February across all regions except Japan. Japanese equities suffered a bleak spell with the majority of sectors down, led by both Consumer, Cyclical and Non-Cyclical. US quality names, on the other hand, performed well, with Energy the leading sector. Industrial, along with Consumer, Cyclical fared less well and were the main detractors in an otherwise positive month in the US for the cluster. Energy and Consumer, Cyclical were the best and worst performing sectors globally.

Risk Premia: -1.33%

Universal Carry: 0.00%

The generalized Carry strategy ended the month flat, with Currencies emerging as the sole positive sector. The biggest gains came from our short position on a selection of G7 currencies, which, in keeping with the core rising US yield narrative playing out during the period, benefited from a rising dollar. The euro was particularly hard hit, as much driven by the rally of the dollar, as against the fundamentals that underpinned the strengthened euro looking shaky and uncertainty over the European Central Bank's (ECB) policy review slated for March, underscored by ambiguity over Italian elections. A third month of slowing inflation in the euro area (prices rose 1.2%, down from 1.3% the previous month) also helped to ward investors off of a faster stimulus exit by the ECB.

Our overwhelmingly long position in Short Term Interest Rates was the biggest detractor for the strategy during the month. In particular the eurodollar, which fell by 16 basis points as markets pencilled in a stronger (80% as appraised by the Fed Funds futures market) chance of three interest rate hikes by December – higher than before the early-month market turmoil.

Equity Indices also proved testing for the strategy, with the majority of indices stumbling across all regions. Our long positions in the FTSE (down 4.0%) and Hang Seng (down 6.2%) delivered the most negative returns, whereas our short positions in the Dax (down 5.7%) and Nasdaq (down 1.9%) were the most notable benefactors to a sector that otherwise trailed into negative territory over the period.

Short Volatility: -1.33%

The strategy suffered its biggest one day loss on February 5, as the hitherto unwavering global equity market rally came to an abrupt halt. The strategy suffered five additional down days scattered during the month, although not of the same order. The month ended with the positive days outnumbering the negative trading days 10-to-9. Volatility returned brusquely, with implied volatility, as measured by the CBOE VIX index, having jumped to 37 points on February 5 (an 18-month high). The VIX returned to below the long-term average of ~20 on February 14, reached a low of 15.8 points on February 26, and traded largely sideways until month-end. The BofA GFSI Skew index (a measure of demand for volatility protection in equity markets) reached an 18-month high of 1.49 on February 9 after rocketing from below 0 (levels greater/less than 0 indicate more/less stress than normal) on February 1 to over 1 only a few days later on February 6.

All sectors were down, with Equity Indices, most notably our delta hedged options on the Nikkei, taking on the heaviest losses. The strategy's biggest singly daily loss occurred on February 6, as global markets violently sold off. The Nikkei dropped over a thousand points, and closed down 4.7% for the day. A similar story played out with our delta hedged options on other global indices, especially the S&P 500 which whipsawed dramatically during the first and second weeks of the month. Our positioning in the Eurostoxx was the solitary gainer, not only amongst Equity Indices, but across all sectors. The index, to a certain degree isolated from the turmoil on account of a broad and solid macroeconomic recovery in Europe, suffered less violent swings than its American and Japanese peers.

Large events will, owing to the nature of the strategy, i.e. receiving premiums for being exposed to downside risk, inherently lead to losses. Whilst the program suffered two large consecutive losses on February 5 and 6, the positioning of the program was kept within the tail risk envelope.

Universal Value: +0.01%

February was only the second month after having introduced the Universal Value strategy into the program; the month proved to be challenging for the strategy, with only 7 out of the 19 trading days having had positive returns. Positive contributions were exclusively thanks to Equity Indices, with all other sectors in the red. Equity Indices were boosted, overwhelmingly, by the strategy's short position in the S&P 500, which suffered a noteworthy correction during the month.

Currencies, at the other end of the spectrum, acted as the heaviest drag on overall performance. The losses were perfectly split between a selection of major developed market currencies (especially our long position in the pound that lost 3% against the dollar) and G7-21 currencies (where our majority long positioning suffered against a gaining dollar.)