

Strategy overview

The CFM ISTrends Trust (the “Fund”) provides investors with a global diversified exposure to long term trend following strategies across five global core asset classes and over 100 different financial contracts. It is designed to capture long term trends across a wide range of markets and assets. The Fund aims to achieve long term capital appreciation through returns that seek to be uncorrelated with traditional asset classes.

Alternative Beta and trend following

The Capital Fund Management group (“CFM”) believes that certain well known investment strategies can provide portfolio diversification as a result of returns that are uncorrelated to traditional equity and bond markets. These strategies are scalable and persistent over long time horizons. With appropriate technology and implementation expertise, they can be efficiently harvested and offered as a complement to investor portfolios. We call these strategies Alternative Beta.

Long term trend following is a classic Alternative Beta strategy as it has a low correlation to traditional markets, is persistent and scalable over long time horizons, and therefore forms the core of many managed futures or CTA programs. Its validity over more than 200 years is discussed in a CFM technical paper: [‘Trend following: a persistent market anomaly.’](#)

Key details

The Fund is AMIT compliant, and is offered in two classes of units; Class A Units operating at target volatility of 10% on average, offered on a management plus performance fee basis; and Class B Units operating at a target volatility of 15% on average, offered on a management fee only basis. In all other respects, the two Classes of Units offer similar investment characteristics.

	Class A	Class B
Asset class	Long term trend following across five different asset classes and over 100 different contracts globally	Long term trend following across five different asset classes and over 100 different contracts globally
Objective ¹	The Fund’s investment objective is to achieve a long-term capital appreciation through returns that seek to be uncorrelated with traditional asset classes.	The Fund’s investment objective is to achieve a long-term capital appreciation through returns that seek to be uncorrelated with traditional asset classes.
Annualised volatility target ²	10%	15%
Type of fund	Registered Australian Managed Investment Scheme	Registered Australian Managed Investment Scheme
Style	Long term trend following	Long term trend following
Inception date	1 July 2017	1 July 2017
Minimum initial investment	\$50,000	\$50,000
Distribution frequency	Annually as at 30 June	Annually as at 30 June
APIR code	PIM1966AU	PIM8130AU
Management fee	0.6%pa of the NAV of Class A Units	1.125%pa of the NAV of Class B Units
Performance fee	10% of the trading profits of Class A Units	Nil
Fund expenses	Capped at 0.20% pa of the NAV of Class A Units (for both the Fund and master fund combined) (including also GST net of RITCs for such other expenses and the management and performance fees).	Capped at 0.30% pa of the NAV of Class B Units (for both the Fund and master fund combined) (including also GST net of RITCs for such other expenses and the management and performance fees).
Pricing/liquidity	Daily	Daily
Buy/sell spread	Nil/nil	Nil/nil

¹ The investment objective is a target and as such its achievement cannot be guaranteed.

² The realized volatility of a Class of Units may differ materially from its target volatility. The Investment Manager makes no representation that the Fund or a Class of Units will achieve its target volatility.

Where does the Fund invest?

The Fund will gain exposure to trend following across five major assets classes and over 100 financial contracts³.

Commodities	Currencies	Fixed income	Short term interest rates	Equities
Base Metals	AUD	US	US	US
Precious Metals	CAD	Canada	Canada	Canada
Energy	CHF	German	Europe	Europe
Softs	EUR	Europe	Australia	UK
Grains	GBP	Australia	Japan	Australia
Meats	KRW	Japan		Japan
	MXP	Korea		Korea
	NZD			Hong Kong
	JPY			Taiwan
	USD			

Trend following overview

- ▶ A trend following strategy applied to a pool of liquid futures has historically delivered a system with a modest, though significant, positive Sharpe ratio.
- ▶ Trend following can be used in combination with a more traditional portfolio composed of stocks and bonds, typically contributing to improved portfolio Sharpe ratio expectations.
- ▶ Trend following, by its nature, exhibits a favourable relationship with market stress. Examining the worst historical periods of market crisis, trend following is seen to be generally positive and anti-correlated to the S&P 500.

Source: 'Trend following: a persistent market anomaly', CFM white paper

About CFM

The CFM group is a global investment manager and a leader in the creation of diversified alternative investment strategies. CFM has been deploying trend following strategies since 1991. Assets under management of US\$1b⁴ and 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 global implementation platform, enables us to provide investment strategies that tend to be diversified and de-correlated from the markets for our investors. CFM trades liquid instruments across global markets, including futures, equities, bonds, options, credit, and spot and forward foreign exchange.

For further details



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Based in Paris with offices in London, New York, Tokyo and Sydney, we work in partnership with our clients worldwide. Find out more at: cfmaltbeta.com.au

Disclaimer

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³ This list is provided for information purposes and may change in the future. All instruments mentioned above are traded as futures and correspond to the trading universe as of August 2017.

⁴ Leveraged equity figure, corresponds to US\$9.2 bn in equity.

NOTES TO HYPOTHETICAL PERFORMANCE INFORMATION

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY FUND OR ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.