Fund Fact Sheet

INSIGHT. DATA. CLARITY.

CFM ISDiversified Trust

Alternative Beta
August 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$.95242	Unit Price
-1.93%	August ROR
-9.12%	Year to date ROR
A$75m	FUM ISD Trust
US$843m	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	-0.1	-0.2	-1.8	-2.1	-0.3	-1.9					**-9.1**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	-4.3	-6.3	-9.1	-7.0	-1.5		-1.4
Offshore strategy in USD	-3.4	-4.9	-8.9	-7.0	-1.9	-0.9	2.9

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 | SYDNEY**

FOUNDED IN **1991**

AUM ACROSS ALL PROGRAMS **US$10.9 BILLION**

CFM approach

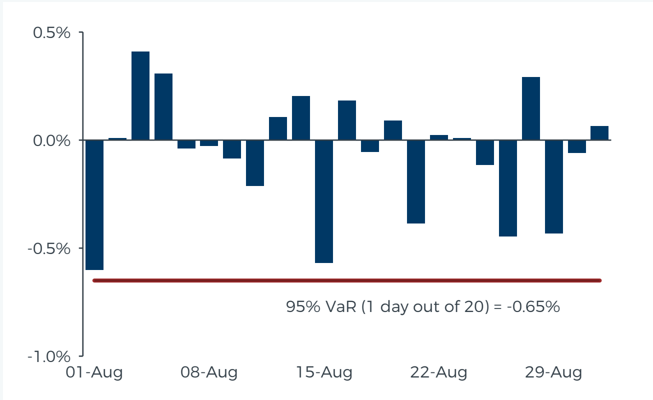
Research
A dynamic research team dedicated to developing new strategies, improving execution algorithms and refining portfolio construction techniques

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, R CFM Diversified, which trades in accordance with the CFM ISDiversified trading program, as modified to accommodate the rules & 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 ISDiversified Fund LP - USD 6% Volatility ('CFM ISD LP'), which applies a similar trading strategy and target volatility as the fund, but which has a different fee structure. Since June 2017, the performance of the fund is not fully comparable with that of CFM ISD LP, which includes an allocation to commodities (that is compensated by a slightly lower allocation to 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.

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

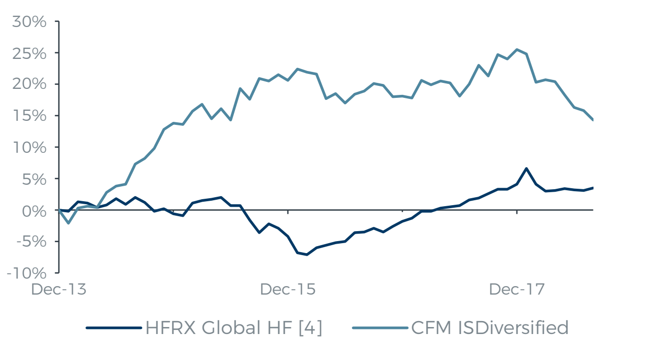
Offshore Benchmark Strategy in USD [2]

August 2018

Performance analysis

	Since Inception	Last 12 months
Total Cumulative Return	14.3%	-7.0%
Annualized Rate of Return	2.9%	-7.0%
% of Positive Months	51.8%	25.0%
Best Month	4.4%	2.8%
Worst Month	-3.6%	-3.6%
Peak to Valley Drawdown	-8.9%	-8.9%
Annualized Standard Deviation	5.7%	5.6%
Sharpe Ratio	0.4	-
Correlation [3] between ISD and		
HFRX Global HF [3]	0.36	0.50
Barclays Global-Agg [4]	0.10	-0.07
MSCI World Index [5]	0.28	0.46

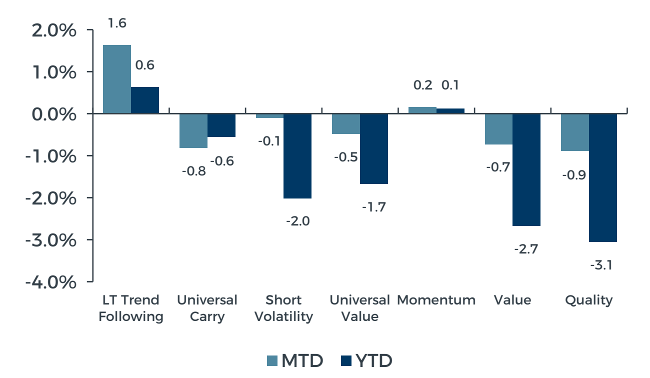
Cumulative returns since inception



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	1.2	**6.2**
2018	-0.6	-3.6	0.4	-0.2	-1.8	-1.7	-0.4	-1.2					**-8.9**

Contribution per strategy (gross)



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

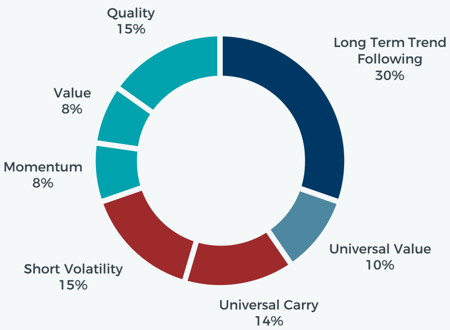
Universal Value

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

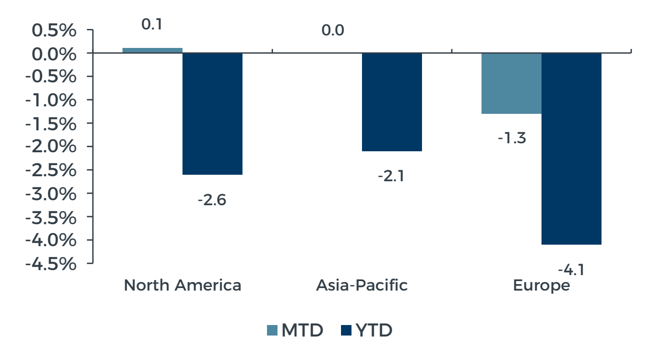
The program buys/sells cheap/expensive instruments in the futures/FX universe relative to both price based and fundamental value metrics.

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

Strategy AUM allocation



Contribution per geographic zone (gross)



For further details

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Key performance figures

Performance		FUM		
-1.9266%	Monthly Return	**A$75.0m**	(A$75.0m equity)	ISDiversified Trust FUM (6% vol)
-9.1185%	YTD Return	**US$3.1bn**	(US$2.7bn equity)	ISDiversified Program FUM (6% vol)
		US$10.9bn	(US$8.8bn equity)	Firm-wide FUM

The returns of the master 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

- Geopolitical concerns remain front and centre. A smorgasbord of issues continue to rile global markets: investors had to contend with an introduction of sanctions against Iran; continued trade intrigue between the US and China (as well as a play-by-play on NAFTA negotiations); a volatility resurgence in Italian markets as Bonds sold off (positive for our short position in Trends as the spread between benchmark 10-year German and Italian sovereign yields shot up to 2.63% at month-end, from 2.04% on August 1); and most crucially, the signs of a nascent emerging market crisis sparked by the situation in Turkey.
- Uncertainty in Turkey... Concerns ranging from political interference in central bank policy, to large corporate debt denominated in dollars and a trade tariffs tiff between Washington and Ankara have all been weighing on the Turkish economy, translating into investors dumping the lira. The Turkish currency has lost 42% against the dollar YTD (other emerging market currencies buckling under similar stress), with our short positioning on the lira and a selection of G7-21 currencies (especially in Trends) benefitting.
- ...Spells uncertainty in Emerging Markets (and beyond). Besides the dramatic slide in most G7-21 currencies value, key Equity Indices in those markets have also been on the receiving end of investor angst. The MSCI Emerging Market Index fell 2.9% in August (and 8.9% YTD), a boon for our short positioning in that contract (especially in the Carry strategy). A global risk aversion sentiment took hold, with investors bidding on traditional safe haven assets, driving, notably, the dollar up (DXY +0.6%) and the yield on key sovereigns down (US 10-year yield receded 14.6 basis points).
- Global Equities, however, are lingering higher for longer. Both the S&P 500 and Nasdaq registered repetitive record highs during the month. An upward revision of US GDP data for Q2 (4.2% vs. 4.1%), along with July retail sales released in August that beat economists' expectations (monthly growth of 0.5% vs. consensus expectations of 0.1%), all underpinned the upward grind.
- Euro feeling the heat. The common currency slipped to a multi-week low against the greenback, due to the crisis unfolding in Turkey (investors fretting over European lenders' exposure).

Trends: +1.67%

The Trend strategy booked solid performance in August, with all sectors but Short Term Interest Rates ending in the black. FX was the best performer, especially owing to our short positioning in a selection of G7-21 currencies, notably the Turkish lira and Brazilian real (which tumbled 25% and 8% against the dollar, respectively, on our short positions). Emerging market currencies have been trending lower (JP Morgan Emerging Market Currency Index was down 6.2% in August, the 6th month of decline in 2018), resulting from a worry of large current account deficits and hefty stock of dollar-denominated debt, as the US Federal Reserve raise rates and the dollar grows ever stronger (August was the fifth consecutive month of positive gains for the DXY dollar index).

Equity Indices, on account of a robust showing from most key global indices (notably our long position in the Nasdaq, +5.7% over the month); along with mostly long positioning in key non-US Bonds (particularly German paper, as Bunds found a bid amongst a general risk-off sentiment taking hold in markets on Turkey contagion worries) also contributed to the solid performance. Our long position in the FTSE acted as one of the main drags on performance as the UK's benchmark index hit a four-month low on August 15, when the pound found bid on temporarily upbeat Brexit negotiations projections; contagion from Turkey (and worries about the Chinese economy) sent emerging market currencies tumbling and metal prices (the Materials sector constituting 10% of the FTSE index) to multi-week lows.

Short Term Interest Rates were the only laggard, as our short position in the Eurodollar garnered negative performance as the front-month contract rose 0.1 points in August. The LIBOR, taking its cue from a slight dip in treasury yields during the month (as investors rotated towards safe haven assets), registered only its second monthly decline YTD.

At the start of September, the program keeps its net long Equity Indices position, along with a net short STIR futures position. The program maintains a net long position in Bonds, while a net long dollar position is also maintained.

Equity Market Neutral: -1.72%

The strategy suffered losses in August, with negative performance coming from all regions, except Canada that was near-flat. The Momentum cluster (positive) outperformed both Quality and Value.

The divergence between sectors remains stark, with a renewed interest in Tech names toward the end of the month making the Information Technology sector the best performer in the US in August. Consumer Discretionary within the S&P 500 has, however, overtaken Technology as the best performing sector YTD, with Financials remaining the laggard YTD.

Aggregated across the book, the Basic Materials sector – where we have a slight net long exposure – suffered the biggest losses, whilst Consumer, Cyclical emerged as the best sector. The program's statistically factor neutral position maintains marginal long positions in the Technology, Consumer, Cyclical (both slightly increased), Basic Materials (reduced) and Financial sectors. The strategy's short positions in the Consumer, Non-Cyclical and Industrial (somewhat increased) sectors were also maintained, as other sector exposures remain low.

Momentum: 0.26%

The Momentum cluster featured only two negative sectors out of nine, i.e. Basic Materials (mostly derived from our long position in Mining names as these stocks came under pressure on fears of emerging market contagion) and Industrial. The best sector was Consumer, Non-Cyclical where our long position in Commercial Services offered the most positive returns.

Value: -0.95%

The Value cluster was hampered by, chiefly, the Technology sector where we had an average short position (especially in Software stocks). The best sector was Financials (only slightly better than flat), along with Utilities, which garnered a few basis points.

Quality: -1.03%

Quality came under strain from predominantly poor performance in the Basic Material sector (especially our average long exposure to Mining stocks, which, along with a general slide in resources and metals, declined over the period). The best sector was Consumer, Cyclical where our average long position in Retail stocks offered the best returns.

Risk Premia: -1.35%

Universal Carry: -1.24%

The Carry strategy – counting only 8 out of 23 positive trading days – endured a challenging month and ended in the red. Strong negative performance coming from Currencies was the main detractor to overall performance, especially from our net long position in a selection of G7-21 currencies. The Turkish lira, Brazilian real, and South African rand – collectively part of what has come to be known as the 'fragile five' (along with the Indian rupee and Indonesian rupiah) – all slid further against the greenback on our long positioning (-25%, -7%, and -10% respectively). Turkey seems an outlier amongst the other emerging markets (as correlations between currencies remain in line with historical movements, bar the lira).

Equity Indices also detracted from overall performance, with our long position in the Eurostoxx (-3.7% during August) the worst performing contract. European bourses were led lower predominantly by Financials, as investors worried about some European banks' exposure to Turkey, particularly those with large operations, and where borrowers, exposed to the slide in the lira, have higher default risks on foreign currency loans (approximately 40% of the banking sector's assets there).

All other sectors contributed positively, most notably Short Term Interest Rates, where, in contrast to Trends, the program maintains a long position in Eurodollar.

At the end of August, the strategy is net long Equity Indices and STIR futures, along with a net long dollar position. The Bond sector maintains a net short position.

Short Volatility: -0.10%

With markets having to navigate a deluge of risk events and geopolitical discord during the normally tepid month of high summer, our delta hedged options in most sectors performed relatively well, with the exception of Currencies. Our delta hedged options in the euro offered the most negative returns, as volatility in the single currency surged between August 8 (6.26 points) and August 15 (7.97 points) as proxied by one month at-the-money options. The euro sold off in dramatic fashion during the week of August 6, falling from 1.16 against the greenback, to 1.13 one week later (the weakest level in more than a year), triggered by escalating tension in Turkey (with European banks' exposure there and elsewhere in emerging markets) on already wide (and widening) yield differentials on European vs. US fixed income.

Our delta hedged options on Bonds were, however, the best performers during the month, with volatility on US treasuries muted. Notwithstanding a brief spell of volatility on August 13 as Turkish jitters drove investors to Bond havens, volatility – as measured by the TYVIX – was range bound between ~ 3.5 and 4 points and averaged 3.76 during August (compared to an average of 3.79 in July). Meanwhile, our delta hedged options on Equity Indices made modest gains in an environment of subdued implied volatility: VIX and V2X (implied volatility index on Eurostoxx) averaging 12.55 points and 14.27 points respectively – still well below historical averages.

Performance was well distributed through the month, with no significant outlier days – bar August 10 when Turkish turmoil drove global risk aversion and the euro slid by 1% against the dollar on the day.

Universal Value: -2.50%

Value saw a mixed month, with good performance from Bonds, but nevertheless eclipsed by a poor showing from Equity Indices, but mostly Currencies.

As opposed to Trends, we hold a long position in the Turkish lira in the Value strategy, emerging as the worst performing contract during the month. A likewise long position in the South African rand and Brazilian real dragged performance further down.

As global equities remained buoyant, led by the S&P 500 (MSCI World gained 1%, with the S&P 500 up 3%), our short positioning in a select few key Equity Indices weighed on overall performance. Chief amongst which, our short positions in the Eurostoxx and Nasdaq: European stocks got pummelled on account of the Turkish situation, while US technology stocks continued to surge (with notably Morgan Stanley increasing its price targets for both Amazon and Alphabet). Along with support from an upward revision to the US GDP growth figures, the Nasdaq reached multiple record highs, ending the month up 5.7%.

At month end, the strategy maintains net short Bonds and Equity Indices positions, along with a net long STIR futures and short dollar position.