Fund Fact Sheet

CFM ISDiversified Trust

Alternative Beta
October 2018

INSIGHT.DATA.CLARITY.

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$.96441	Unit Price
+0.88%	October ROR
-7.98%	Year to date ROR
A$79m	FUM ISD Trust
US$884m	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	0.4	0.9			**-8.0**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	-0.7	-4.8	-8.0	-7.1	-1.3	-0.9	-0.9
Offshore strategy in USD	-1.1	-4.9	-8.7	-8.2	-2.2	-1.7	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$9.7 BILLION**

CFM approach

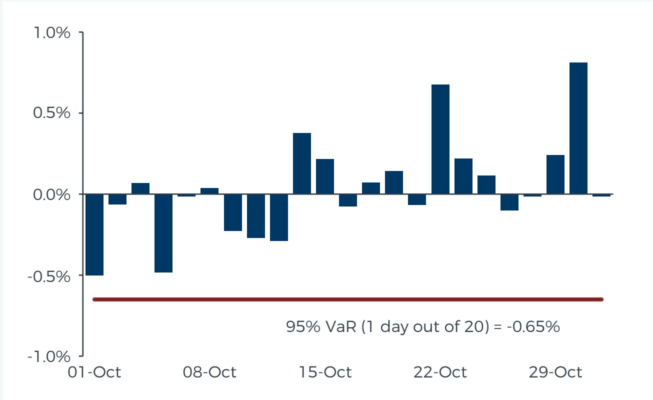
Research
A dynamic research team dedicated to developing new strategies, improving execution algorithms and refining portfolio construction techniques

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.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS. THERE IS RISK OF LOSS WHEN INVESTING IN A MANAGED ACCOUNT OR A FUND. RETURNS PRESENTED IN THIS DOCUMENT ARE UNAUDITED. ALL OPINIONS AND ESTIMATES INCLUDED IN THIS DOCUMENT CONSTITUTE JUDGMENTS OF CFM AS AT THE DATE OF THIS DOCUMENT AND ARE SUBJECT TO CHANGE WITHOUT NOTICE.

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

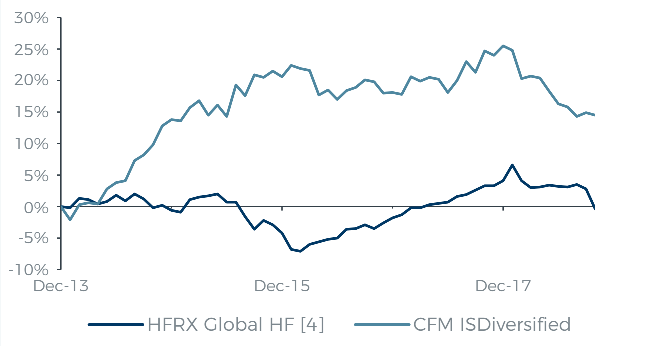
Offshore Benchmark Strategy in USD [2]

October 2018

Performance analysis

	Since Inception	Last 12 months
Total Cumulative Return	14.5%	-8.2%
Annualized Rate of Return	2.8%	-8.2%
% of Positive Months	51.7%	25.0%
Best Month	4.4%	1.2%
Worst Month	-3.6%	-3.6%
Peak to Valley Drawdown	-8.9%	-8.9%
Annualized Standard Deviation	5.6%	4.4%
Sharpe Ratio	0.4	-
Correlation [3] between ISD and		
HFRX Global HF[3]	0.36	0.45
Barclays Global-Agg [4]	0.10	-0.05
MSCI World Index [5]	0.27	0.41

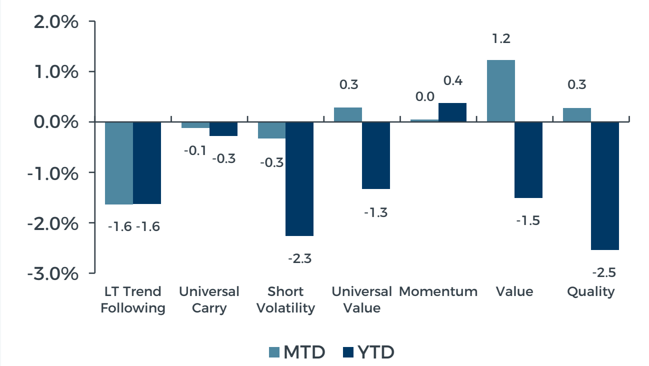
Cumulative returns since inception



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	1.2	**6.2**
2018	-0.6	-3.6	0.4	-0.2	-1.8	-1.7	-0.4	-1.3	0.5	-0.3			**-8.7**

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

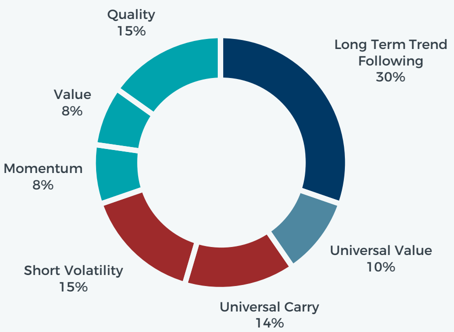
Universal Value

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

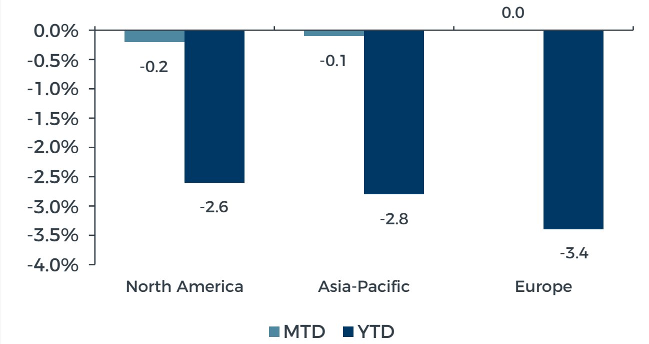
The program buys/sells cheap/expensive instruments in the futures/FX universe relative to both price based and fundamental value metrics.

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		
+0.8755%	Monthly Return	**A$78.7m**	(A$78.7m equity)	ISDiversified Trust FUM (6% vol)
-7.9744%	YTD Return	**US$3.0bn**	(US$2.6bn equity)	ISDiversified Program FUM (6% vol)
		US$9.7bn	(US$8.0bn 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

- **Equity markets dropped, flirted with correction territory...** The S&P 500 (-6.9% in October) forfeited most of its YTD gains. The index ended the period up 2.3% YTD (or 3% YTD for total returns). Global bourses were not immune to the turmoil in US markets, as European indices faced their own distinctive troubles in addition to the herd like sell-off (lacklustre economic data and Italian budgetary uncertainty amongst others). The MSCI World dropped 7.4% over the period.
- **...but no unanimous account on the trigger.** With a wide scope of theories and disagreement, no clear trigger has been unanimously identified for the sell-off in risk assets. There is, however, some agreement that tangible consequences are starting to appear owing to the US-China trade stalemate. The prices of raw materials are rising, and while higher costs might be relayed to consumers (and could probably be absorbed), markets are starting to seem unconvinced as to the durability of the bull market. This all despite the unemployment rate in the US at a 50-year low of 3.7%, inflation remaining in check, and the Q3 GDP advanced estimate having printed 3.5% (above the consensus estimate of 3.3%).
- **Fed echoing hawkish tone.** The Chairman of the Fed, Jerome Powell, reiterated early in the month that the central bank is still "a long way" from neutral interest rates, chiming with his assessment that the US economy is in "great shape". Interest rates duly ticked higher, with the US 10-year benchmark breaking through the 3.2% level (and gaining 6 basis points overall). Global fixed income followed suit.
- **Consequently, volatility surged.** Realized and implied volatility in global equity markets surged, with 30-day realised volatility of the S&P 500, after reaching a low at the end of September, surging on October 10. Implied volatility, measured by the CBOE Vix Index also broke through the long term average of 20, closing at the highest level since February earlier this year.
- **Energy Markets cooled.** Oil prices took their cue from equities (with a surge in correlation between the S&P 500 and Brent during the tumultuous first two weeks), as the benchmark Brent contract tumbled 9.3% during the month. This after reaching a near four-year high at the end of September. Supply worries have seemingly made way for lower demand projections as global growth becomes less synchronised.

Trends: -1.06%

The Trend following strategy, susceptible to sudden and sharp direction changes in underlying contracts, had a challenging month as global markets got roiled by a risk-off sentiment and a breakout in long-term yields. The month got underway with a burst of robust economic data out of the US: jobless claims fell to a near 50-year low and the ISM non-manufacturing index for September topped consensus expectations of 58, printing 61.6 on October 3. US sovereign yields reacted swiftly, with the US 10-year yield ending 12 basis points higher on the day, setting the tone for the remainder of the month.

Equity Indices dragged on performance, with our long position in key US indices registering the most losses. The US market suffered the biggest sell-off since February earlier this year despite a strong earnings season (members of the S&P 500 are set to report ~ 26% earnings growth for Q3). Renewed concerns over a US-China stand-off (as the prices of raw materials are starting to bite), and fears of overvaluation pushed markets close to correction territory. Our long position in the Nasdaq was the worst performing contract, the index having had its biggest intraday tumble since 2011 (on October 24 when the index lost 4.4% and reached a technical correction, i.e. 10% lower than its August high). The index finished the month down 9.2%. The large constituent of the hitherto much-loved FAANG stocks got pummelled, as Amazon and

Netflix lost 18% and 17% respectively. Global equities tracked the US market lower, with European and Japanese benchmarks all tumbling.

In the FX markets, the dollar was re-invigorated by a clearly hawkish slant from the Fed (Fed Chairman Jerome Powell has reiterated his upbeat assessment of the US economy, telling a gathering of journalists in early October that the US is living through “extraordinary times” – with record low unemployment, and low steady inflation). The dollar index gained 2.1% over the month, the biggest monthly gain since June and the eighth monthly gain for the year. Whilst our net long exposure in the greenback against a basket of G7 currencies yielded positive returns, the same positioning against a selection of emerging market currencies sent the asset class into negative territory. Our short positioning in the duo of the Turkish lira (+8.5% as investors’ fears subsided following a 6.25% hike by the Central Bank in September and the release of a US pastor thawing tensions with Washington); and Brazilian real (+8.8% uncertainty relief after elections with improved growth and fiscal outlook) offered the most negative returns as emerging market currencies found some respite after a protracted bearish run.

Performance was, however, much more upbeat in interest rate markets. Bonds emerged as the best performing asset class, with our long position in the 3 and 10-year tenured South Korean bonds delivering the best returns. Korean yields came under pressure as worries over the Chinese economy prompted regional fixed income buying. Remarks from the Governor of the Bank of Korea that the economy is facing “downward pressures” put the prospects of any near-term rate hikes in dispute, providing further impetus. The 3 and 10-year Korean yields slumped 7.8 and 13.5 basis points respectively during the month. Short Term Interest Rates also contributed positively, as our short position in the Eurodollar, trading as a discount security tied to the USD LIBOR, shifted lower as the 3-month Libor rate jumped 14 basis points (the largest positive monthly move since March). The benchmark lending rate has now increased by 76 basis points YTD.

At the start of November, the program keeps its net long dollar position. Equity Indices have moved from a net long, to a slightly short position, as have Bonds. A net long STIR futures position has also been established.

Equity Market Neutral: +1.79%

The strategy performed well, with good returns from all regions (except Canada, which was mostly flat), with an eight-day uninterrupted positive streak finishing off the month. All clusters were flat or better, with Value stocks having staged a comeback. Performance amongst sectors featured noticeable disparities amidst interest rate shifts, with markets preferring defensive, non-cyclical sectors. Utilities and Consumer Staples were the best performing GICS sectors in the S&P 500 in October, both gaining slightly. Meanwhile, all other sectors declined, with the Energy sector (most likely amidst the pressure on oil prices) the worst performing sector over the quarter.

Momentum: +0.05%

The Momentum cluster was the worst performer over the period, however, only ending flat. Performance would have been worse than flat (all regions were negative) if not for US equities. In the US, the Consumer, Non-Cyclical sector was responsible for nearly all the gains.

Value: +1.33%

Value was the best cluster, with all regions returning positive performance. European (largely owing to Consumer, Non-Cyclical) and US equities (thanks in large part to the Industrial sector) led the charge. Canadian equities fared the worst (although still positive), hampered by Financials.

Quality: +0.41%

Gains were also had by the Quality cluster. As in Value, Canadian equities were the main laggard (slightly negative), whilst all other regions were positive. Canadian stocks in the Consumer, Cyclical sector detracted most. US equities, meanwhile, fared best, with the Consumer, Non-Cyclical sector gaining strongly.

Risk Premia: +0.12%

Universal Carry: +0.50%

The Universal Carry strategy ended the month slightly down.

Bonds, where we have an aggregated net short exposure, were marginally down, mostly on our short position on the German 2-year Schatz. The German curve flattened and shifted downwards, as the yield on all tenures fell. German paper acted as a safe-haven as the Italian budgetary process played out (the spread between the German and Italian 10-year benchmarks reached a level not seen since the 2013 European debt-crisis, breaking through 2.9% on October 19). The 2-year Schatz dropped 7.5 basis points, as German bond prices tracked its US peers upwards.

Meanwhile, Equity Indices registered modest gains, owing in large part to our short position in the Dax and main US indices. The German benchmark lost 9% in October, suffering from the same uncertainties as global equities, but subject to idiosyncratic European issues, chief amongst which was the lingering unease about the direction of the Italian budgetary process.

Currencies, however, were the best performing sector over the quarter. Our exclusively net long dollar position against a basket of major G7 currencies profited as the greenback profited from, amongst others, rising interest rates in the US.

At the end of October, 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: -0.38%

The Short Volatility strategy struggled in a month that saw significant market swings. As a result, all asset classes in the strategy were down for the month, except currencies. Our delta hedged options in both the euro and British pound delivered positive returns over the month. The one month at-the-money implied volatility of both currencies was lower than in September, the euro never peaking beyond a 7.7 point close, and the pound, although tracing higher during the first week, fell to a 4-week low of 8.6 points on October 19.

Equity Indices, however, garnered the most negative returns, as volatility in global markets reached levels not seen since February. The CBOE Vix Index closed at 25 on October 11 (and at 25.2 on October 24) – above the long-term mean and the highest since February. The S&P 500 recorded 10 days out of 23 during the month, where daily returns exceeded a ± 1% change. The biggest losses for our delta hedged options came on October 11, when global markets featured their largest sell-off in the month - the S&P 500 and the Nikkei both tumbled, losing 2% and 3.5% respectively. The day before, the S&P 500 suffered a drop of 3.29% – the largest since February earlier this year. Market participants remained, despite the bout of volatility, less fearful of outsized negative returns, reflected as such in the CBOE Skew index – a measure gauging the market expectation for large, negative tail risks. The Index slipped over the month, from 144 to 117 points (the lowest level since April).

Our delta hedged options in bonds were only marginally worse than flat, with few days of remarkable moves in the US 10-year.

Universal Value: +0.37%

The Universal Value strategy enjoyed a positive showing in October, with robust returns from a short net exposure in Equity Indices. This sector boasted seven of the top ten best performing contracts in the strategy for the month as global markets tumbled. Equity Indices, nevertheless, also featured the worst performing contracts of the strategy, notably our long position in the Eurostoxx. The European large-cap benchmark shed 8.4% of its value, more than its US counterparts (the S&P 500 and Dow Jones Indices fell 6.9% and 5% respectively). European equities were battered by uninspiring economic data (purchasing managers' indices (PMIs) for the Eurozone fell in October, with especially the export component falling acutely – stoking fears that the trade war and slowing demand from China might hamper export-heavy European securities), accompanied by anxiety on the political front (the Italian budget submitted to the European Commission was rejected for failing to meet fiscal targets).

All other sectors were marginally down, but Short Term Interest Rates the most. Universal Value has a long net exposure in Eurodollar (as opposed to our net short exposure in Trends), registering some negative returns as the Libor rate tracked global interest rates higher.

At month-end, the strategy maintains net short Equity Index, STIR futures and dollar positions. Positioning in Bonds have shifted from net short, to slightly long.