INSIGHT. DATA. CLARITY.

CFM ISDiversified Trust

Alternative Beta
November 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$.94956	Unit Price
-1.54%	November ROR
-9.39%	Year to date ROR
A$78m	FUM ISD Trust
US$721m	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	-1.5		**-9.4**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	-0.3	-4.5	-9.4	-8.2	-1.3	-1.5	-1.4
Offshore strategy in USD	-2.1	-5.4	-10.8	-9.7	-2.6	-2.7	2.3

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$9.4 BILLION**

CFM approach

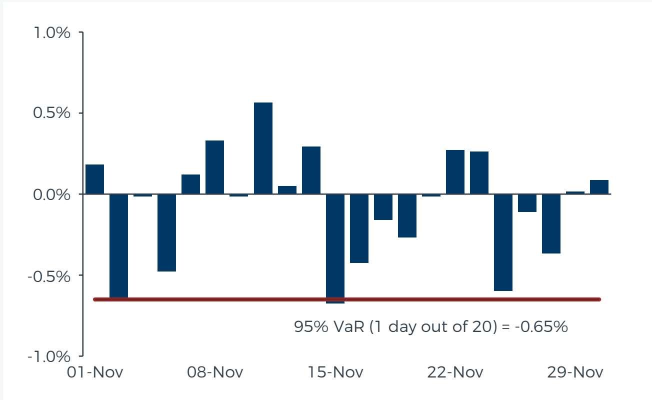
Research
A dynamic research team dedicated to developing new strategies, improving execution algorithms and refining portfolio construction techniques

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]

November 2018

Performance analysis

	Since Inception	Last 12 months
Total Cumulative Return	11.9%	-9.7%
Annualized Rate of Return	2.3%	-9.7%
% of Positive Months	50.8%	25.0%
Best Month	4.4%	1.2%
Worst Month	-3.6%	-3.6%
Peak to Valley Drawdown	-10.8%	-10.8%
Annualized Standard Deviation	5.7%	4.6%
Sharpe Ratio	0.3	-
Correlation [3] between ISD and		
HFRX Global HF [2]	0.35	0.38
Barclays Global-Agg [4]	0.10	-0.07
MSCI World Index [5]	0.25	0.31

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	-2.3		**-10.8**

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

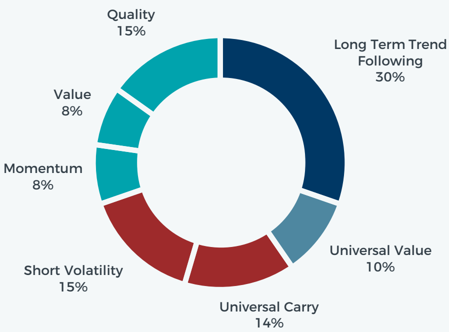
Universal Value

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

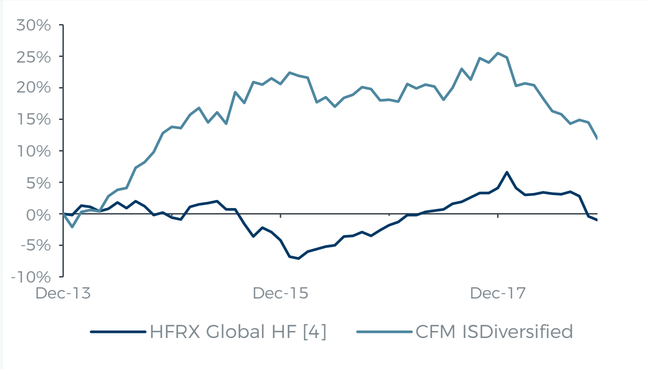
The program buys/sells cheap/expensive instruments in the futures/FX universe relative to both price based and fundamental value metrics.

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

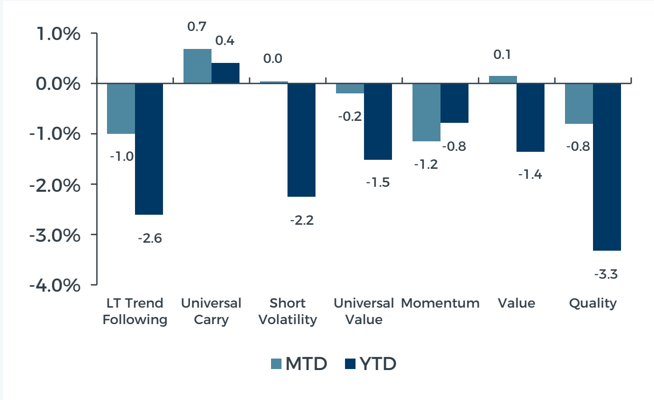
Strategy AUM allocation



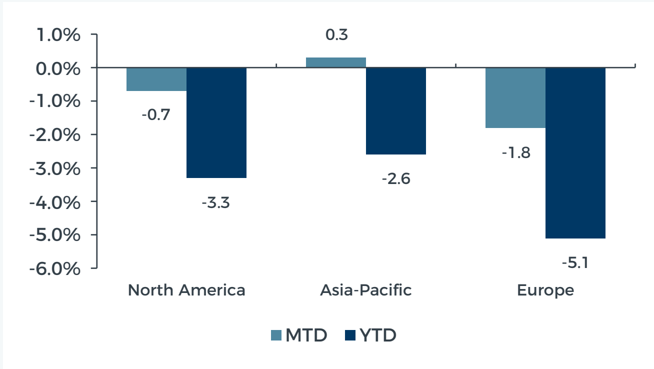
Cumulative returns since inception



Contribution per strategy (gross)



Contribution per geographic zone (gross)



For further details

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Key performance figures

Performance		FUM			
-1.5398%	Monthly Return	**A$78.5m**	(A$78.5m equity)	ISDiversified Trust FUM (6% vol)
-9.3914%	YTD Return	**US$2.9bn**	(US$2.5bn equity)	ISDiversified Program FUM (6% vol)
		US$9.4bn	(US$7.7bn 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

- **The US voted.** The highly anticipated US mid-terms offered little in terms of surprise, with the results broadly in-line with the forecast of political pundits. Slightly lower volatility and volume during the run-up to the November 7 elections, were followed by a positive reaction in markets – assured that, politically, it seems unlikely that already entrenched policies would or could be unwound (tax cuts and deregulation).
- **Energy markets reached multi-month lows**. WTI Crude suffered an uninterrupted, nine-day tumble going into the month – losing 12.5% by November 13. The contract only found some support on November 14 as OPEC and its allies were rumoured to consider deeper-than-expected production cuts in 2019 in order to "balance the market". The Nymex Oil implied volatility index jumped to a close of 50.14% on November 13, the highest level since November 29, 2016 – the last time OPEC agreed to cut production.
- **Tech tripped.** US technology stocks suffered a volatile period, with suppliers of Apple issuing profit warnings, the possible trigger that pulled the sector lower mid-month. The NYSE FANG + index ended 4% down over the month, while the Nasdaq index was barely better than flat (+0.3% for the month). The Nasdaq was, however, down 7.1% through November 20, only recovering along with the broader market as investors mulled the possibility of a pause in the Fed tightening schedule.
- **Fed sounded more dovis**h. The FOMC, as expected, left rates unchanged during their November 8 meeting. Despite a softer tone from Fed Chairmen Powell who, attending a meeting at The Economic Club of New York on November 28, said rates are "just below" the neutral level, markets still price an 85% probability that rates will be lifted at the December 19 meeting.
- **Emerging Market FX on the mend**. After a challenging Q3 for most G7-21 currencies, the notable drop in oil prompted a recovery in emerging markets.

Trends: -0.89%

The Trend program featured negative performance, with all asset classes finishing the month in the red. Our net long dollar position, despite the greenback eking out a marginal gain (DXY +0.15%), was thwarted owing to a resurgence from emerging market currencies. Short positioning in the Indian rupee, which gained +6.1 % against the dollar (lower oil prices leading to a lower import bill caused a respite from the worry of a widening current account deficit – with foreigners bidding up Indian bonds) and the Turkish lira (+7.1% and hitting a four-month high against the dollar – also benefitting from lower oil prices) featured the most losses. Amongst the G7 currencies, our short position in the Aussie dollar (+3.3% against the US dollar as non-energy commodity prices tracked higher on a rumoured trade-war respite) detracted most from performance.

Amongst Bonds, our short positions in a selection of US tenors were responsible for most of the negative returns as the yield curve flattened slightly. The price of US bonds rallied as equities got dumped and the Fed struck a slightly more dovish tone. Our short position in the US 2-year (as the yield fell by 3 basis points) and US Long Bond (-8.6 basis points) registered the most losses. Short Term Interest Rates also detracted, mostly from the short position maintained in Eurodollar.

Performance amongst Equity Indices was a mixed bag, with only a few noteworthy gainers and losers. Global equity markets continued to navigate rising bond yields, investors turning bearish on corporate profits, and a global economy expansion that "has become less balanced and may have peaked in some major economies" according to the latest IMF World Economic Outlook. Whilst most major indices made marginal gains (MSCI World and S&P 500 up 1% and 1.8% respectively), a technology sell-off dragged the Nasdaq down, with the contract sliding 0.4%. Our net long position in the Nasdaq, as such, took on some losses, with the tech-heavy index tracking lower as Apple suppliers raised red flags on profits. The hitherto Tech rally has steadily been coming undone with volatility also swelling. Short positioning in the MSCI Emerging Market, Korean KOSPI, and Hong Kong indices was responsible for most of the negative performance, whilst long positions in notably the German Dax and Dow Jones mini contracts performed positively. The short position in the South African JSE Top 40 index was the best performer, which, despite a brief spurt in the first week, lost 6.5% after November 5 as banking stocks (after the central bank raised rates) dragged the index lower.

At the start of December, the program keeps its net long dollar position. Equity Indices have retained a net short position. Bonds are marginally long. A net long STIR futures position has also been established.

Equity Market Neutral: -2.11%

After a respectable showing during the previous, challenging month, the strategy saw losses coming mostly from the US and Europe. In part reflective of the divergent performance observed across global markets, while US and European equities suffered, Australian and Japanese stocks contributed positively. As the GICS 1 Information Technology sector in the US performed poorly, the defensive Healthcare sector outperformed. Across the entire book, the Consumer, Cyclical and Technology sectors performed the worst and best respectively.

Momentum: -1.30%

The Momentum cluster featured the most negative performance during November, with European stocks the primary laggard. In Europe, the poor showing in Momentum was thanks to the Consumer, Non-Cyclical sector that slipped most. US stock also underperformed, with the Consumer, Cyclical sector dragging down returns the most.

Value: +0.22%

The Value cluster, in a repeat performance from October, was the best performing cluster (as well as the only positive one). All regions registered positive performance in Value stocks, with European securities taking the top position. The Consumer, Non-Cyclical sector emerged as the frontrunner, whilst its counterpart Consumer, Cyclical fared worst.

Quality: -1.02%

Undermined predominantly by US stocks, the Quality cluster contributed negatively. Returns featured a wide distribution across regions, with Japan and Australia positive, whilst other regions ended in the red. Both the Consumer, Cyclical and Non-Cyclical sectors in the US detracted most, while the Industrial sector in Japan contributed the most.

Risk Premia: +1.08%

Universal Carry: +0.82%

The Universal Carry strategy had a strong showing in November, with all asset classes recording positive performance. Currencies were the best, with long positions in key G7-21 FX providing the most gains. With the price of oil slipping, fears about balance of payment pressure in many emerging markets subsided. The JP Morgan Emerging Market Currency Index duly climbed 1.6% (only the fourth monthly gain in 2018). Notwithstanding idiosyncratic country risk factors, emerging markets as a whole have benefitted from lower energy import bills, and, combined with a likely pause in the rise of US interest rates – which have been diverting investment flows back to the US – should support their respective currencies.

Bonds were the worst performing asset class in the strategy – although still positive. A short position in the US Ultra Bond was responsible for the most negative returns. Meanwhile, a long position in the Italian benchmark 10-year bond emerged as the top performer as borrowing cost for the bond fell by 16.7 basis points as Deputy PM Matteo Salvini and his counterpart were understood to be open on a compromise regarding the country's ongoing budget furore.

At the end of November, 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: +0.26%

The Short Volatility strategy made gains in most asset classes. Our delta hedged options in key global Equity Indices fared best, with all making gains, bar options on the S&P 500, the index of which featured 10 days out of 22 during the month where daily returns exceeded a ± 1% move, with three days where the index moved by more than 2%. The index, sent from pillar to post first by a slump in Tech stocks, and towards month-end a support from energy stocks as oil rebounded. Markets also found reassurance towards the end of the month by Fed Chairman Powell who noted that they see no major asset class "where valuations appear far in excess of standard benchmarks". The S&P 500 gained 2.3% after the comments on November 28. By comparison, the Eurostoxx 50 index – in which our delta hedged options performed best – featured only 6 days where returns exceeded ± 1%. The common proxy for implied volatility in equity markets, the CBOE Vix index, moved largely sideways and averaged 19.42 – just below the ~ 20 point historical average.

Although interest rate markets were checked by dovish comments from Fed Chairman Powell on November 28, the realised volatility on US Treasuries moved sideways. The 30-day realised volatility remained stable around ~ 3% during November, with our delta hedged option on the US 10-year registering positive gains. Moreover, the implied volatility, as measured by the CBOE TYVIX index also fell, from 4.41 points at the end of October, to 3.88 on November 30.

Meanwhile, delta hedged options on currencies were flat: slight gains in the euro being neutralised by minor losses in the pound. Despite Brexit negotiations coming to a head, volatility of the pound relaxed back by month-end after a notable spike during the first weeks.

Universal Value: +0.14%

The Universal Value strategy ended in the black with diverging performance amongst asset classes. Currencies were the best performer, with positive gains from both G7 and G7-21 FX groups. The strategy holds a net short dollar position, with strong gains in the Australian dollar amongst the major currencies (rallying on good economic data and upbeat commodity price expectations) buttressed by positive gains from long positioning in the coinage of minor currencies, especially India, Turkey, and South Africa (as emerging market FX recovered).

Equity Indices were the worst performing asset class, with marginal, and divergent losses across markets. Our short position in the Hang Seng, however, was a notable detractor after the index received notable impetus at the beginning of the month in the form of positive news from the Trump administration on a possible trade deal with China. The benchmark Hong Kong exchange surged 4.2% on November 2, and maintained its momentum throughout the month.

At month-end, the strategy maintained a net short Equity Index and dollar positioning. The net position in Bonds has shifted from slightly long to marginally short. Meanwhile, STIR futures have flipped from short, to long.