Fund Fact Sheet

CFM ISDiversified Trust

Alternative Beta
January 2019

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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$.97966	Unit Price
-0.46%	January ROR
-0.46%	Year to date ROR
A$76m	FUM ISD Trust
US$658m	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	3.7	**-6.1**
2019	-0.5												**-0.5**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	1.6	0.9	-0.5	-6.8	0.3	-0.7	-0.4
Offshore strategy in USD	0.9	-0.2	0.0	-7.4	-0.9	-1.9	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:	Nil
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$9.6 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

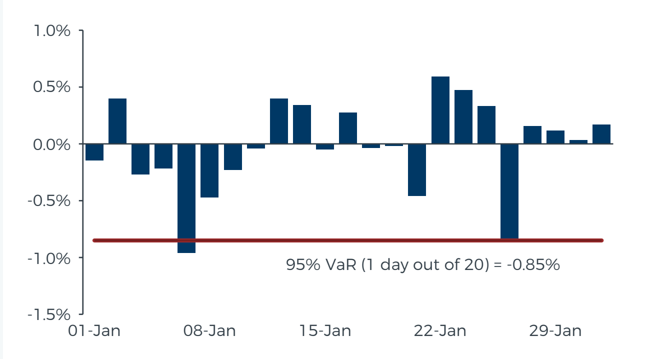
Risk Management

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.

Performance analysis

	Since Inception	Last 12 months
Total Cumulative Return	15.6%	-7.4%
Annualized Rate of Return	2.9%	-7.4%
% of Positive Months	50.8%	25.0%
Best Month	4.4%	3.3%
Worst Month	-3.6%	-3.6%
Peak to Valley Drawdown	-10.8%	-10.3%
Annualized Standard Deviation	5.7%	6.0%
Sharpe Ratio	0.4	-
Correlation [3] between ISD and		
HFRX Global HF [2]	0.32	0.27
Barclays Global-Agg [4]	0.11	0.00
MSCI World Index [5]	0.22	0.15

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	3.3	**-7.9**
2019	0.0												**0.0**

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

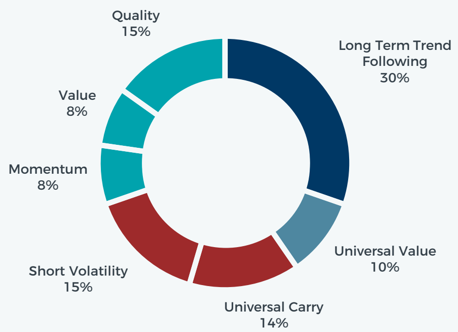
Universal Value

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

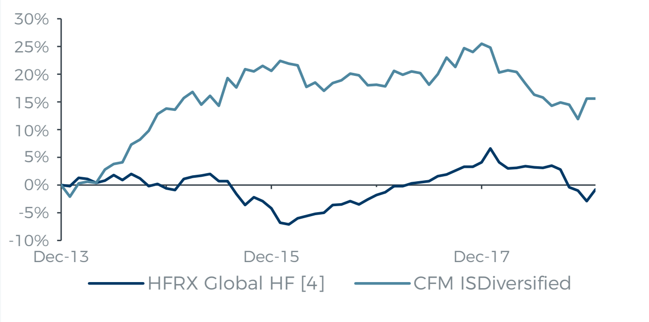
The program buys/sells cheap/expensive instruments in the futures/FX universe relative to both price based and fundamental value metrics.

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

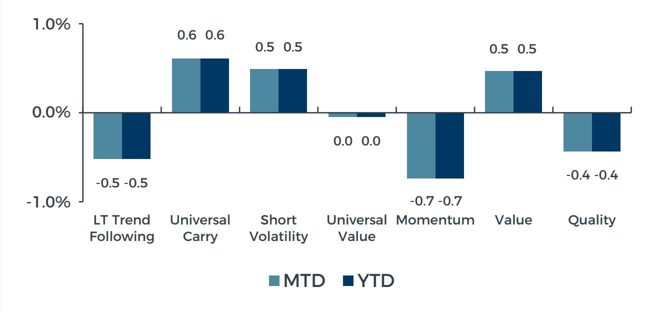
Strategy AUM allocation



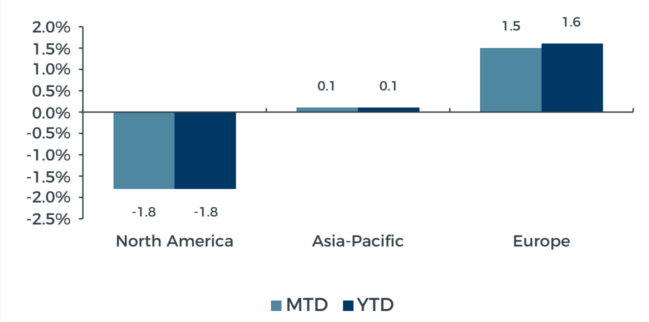
Cumulative returns since inception



Contribution per strategy (gross)



Contribution per geographic zone (gross)



For further details

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Key performance figures

Performance		FUM		
-0.4633%	Monthly Return	**A$75.6m**	(A$75.6m equity)	ISDiversified Trust FUM (6% vol)
-0.4633%	YTD Return	**US$2.9bn**	(US$2.6bn equity)	ISDiversified Program FUM (6% vol)
		US$9.6bn	(US$7.8bn 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

- **Key risk themes haunting markets in Q4 2018 dissipated**. Despite lingering geopolitical uncertainties, most major asset classes performed well in January. Risk assets were sought out, with major and emerging market exchanges posting strong returns. The longest federal government shutdown in US history also came to an end on January 25.
- **Trade-war bark, seemingly starting to bite**...Fears about tariffs and the relentless chatter about the trade war is starting to show up in the data: Chinese economic data seems much softer, with key metrics pointing to slower growth. Imports sank 7.6% YoY in December, the first negative reading since October 2016, hinting at slower global trade and lower domestic demand. Exports equally fell, -4.4% YoY for December. More telling for Chinese observers, is the domestic tax receipts that fell sharply in Q4 2018, fearing a marked reduction in consumer confidence that could drag on demand.
- **Fed Chairman Jay Powell sounding a much more dovish horn**. The first week of the month is remembered for the Fed chair claiming they would take a "patient" approach to monetary policy tightening. Markets reacted favourably to the comments, with especially emerging market indices (and currencies) being sought out. The US dollar, as such, found some weakness, the DXY dollar index dipping 0.6%.

Trends: -0.67%

The Long Term Trend Following strategy was negative over January, with negative returns coming predominantly from a net short position in Equity Indices. Both developed and emerging market indices gained on the Fed stating it would be more "patient" before deciding on any further rate rises. Our short position in the S&P 500 mini was the largest detractor, as the contract rallied 8% over the month. Bears have seemingly been chased out of the market, as the volley of end-of-year concerns have diminished, charged by confidence that a US-China trade war truce might be struck. The strongest gain in the S&P 500 since October 2016 was achieved despite Q4 earnings reported by 219 out of the 500 constituents by January 31 showing only a 13.8% YoY earnings increase. The latest earnings, as such, is much lower than the 24% increase at the same stage of the reporting cycle in Q3. Our long position in the mini Dow Jones was the best performer.

Currencies also detracted, as our net long dollar position registered a small negative return as the greenback fell slightly out of favour (the DXY dollar index sank 0.6% in January). Our short position in the commodity sensitive Aussie and Canadian dollars lost most, especially during the first week of January as resource prices picked up strongly (the two currencies ended the month +3.2% and +3.9% respectively against the US dollar). Minor currencies were positive overall, with our net short dollar position in these currencies making modest gains. Our short dollar position against the South African rand was the best FX performer, as it gained on rising commodities and stronger foreign investor interest in domestic equity markets.

The net long Bonds position provided positive returns, especially the long positioning in German tenors. The solid start for German (but also European) bonds is not that surprising given the weaker economic environment (European Manufacturing PMI printed 50.7 in December, down from 58.9 one year earlier, with the German specific, and closely watched Ifo Business Climate Index dropping for a fifth consecutive month in a row). Consequently, our long position in the German 10-year Bund (the yield of which fell 9 basis points) was the best performing contract. Short Term Interest Rates also contributed positively to the performance, mostly from our long Eurodollar position.

At the start of February, the strategy maintains a net long Bond, STIRS, and dollar position. A short Equity Indices position is also maintained.

Equity Market Neutral: -0.80%

The EMN strategy had a rocky start to the year with poor performance from the US outstripping reasonable performance from other regions. European securities outperformed, with Canadian equities also delivering positive returns. Japanese and Australia stocks were unremarkably flat. In Europe, outperformance – across the entire book – was driven by the Basic Material sector, while Consumer, Non-Cyclical dragged most on the returns of US stocks. In a reversal of Q4 2018, defensive stocks (Utilities and Healthcare) underperformed in January, with Energy (on the back of a bounce in oil prices) and Cyclical stocks being the best performers in the S&P 500 over the period.

Momentum: -0.99%

The Momentum cluster was the worst performer of the trio in January, with a strong reversal from December, especially in US securities. Consumer, Non-Cyclical was the worst performing sector, as markets shunned defensive stocks in favour of Energy stocks. Momentum did best in Europe, where the Basic Material sector outperformed.

Value: +0.62%

Value was the best, and the only positive, cluster in January. The cluster was positive in all regions, with European value stocks performing best. The Financial sector was the main driver of performance in Europe, with the Consumer, Non-Cyclical sector underperforming. Value in Australia, while slightly better than flat, was the worst, dragged down by the Consumer, Non-Cyclical sector.

Quality: -0.42%

The Quality cluster was negative, overwhelmingly pulled down by US stocks. The Consumer, Non-Cyclical sector was responsible for most of the losses in this cluster in the US, with Technology stocks offering some reprieve. European Quality stocks fared best, thanks in large part to the Consumer, Cyclical sector.

Risk Premia: +1.27%

Universal Carry: +0.80%

The Universal Carry strategy ended the first month of 2019 in positive territory, continuing its positive momentum from 2018. All asset classes registered positive returns, except Volatility Indices. Our long position on the European VSTOXX index showed the most negative returns, as the implied volatility on the Eurostoxx fell from 23 points on January 2, to 14 points mid-month on a repositioning towards more appetite for risk assets. Equity Indices, however, showed good positive returns (especially our long position in the Amsterdam Exchange, AEX, which rose 6.7% - the best January performance of the exchange since 1984).

The best performance, however, came courtesy of Currencies. While the net long dollar position in the major currencies was marginally down, the net short position in the dollar against minor currencies made strong gains. Emerging market currencies found a bid on dovish Federal Reserve sentiment, with the MSCI Emerging Market Currency index logging its best monthly gain since January 2018, up 2.6%. Our long position in the rand was the best performer.

At the end of the month, the strategy conserves its net short Bonds position. A net long dollar, Short Term Interest Rates and Equity Indices position is also maintained. Meanwhile, the Volatility Index position is flat.

Short Volatility: +0.47%

Short volatility ended the month in positive territory, with solid returns from delta hedged options in most asset classes. Delta hedged option in Bonds were the only detractor for the strategy, marginally down as interest rate markets digested dovish remarks by the Fed.

Delta hedged options in key global Equity Indices were positive, as delta hedged options on both the DAX and Nikkei made gains, while the same on the S&P 500 and Eurostoxx 50 booked negative returns. The S&P 500 surged by 7.9% over the month, the best performance since October 2015. The CBOE VIX tracked lower during the month, closing below 20 points on most days – and well below the 36 points reached on December 24, 2018. The biggest moves in the S&P 500 came on the first few trading days of the month, a -2.5% move on January 3, followed by a +3.4% move one day later. Delta hedged options on the Nikkei however made the most gains, as the Japanese benchmark featured only 4 trading sessions out of 19 where daily returns exceeded a ±1% move.

Delta hedge options in FX were positive, the strongest returns largely coming from the euro. The one-month at-the-money implied volatility of the euro sagged to a low of 6 points mid-end (the lowest level since April 2018). A more dovish note from the Fed dragged on the dollar, with the euro-dollar trading pair featured only 5 trading days where price change exceeded ± 0.5%.

Universal Value: +0.03%

The Universal Value strategy showed eclectic performance between asset classes and ended the month in the red. The net short position in Equity Indices were the main detractor of performance as equity markets rallied, with Equity Indices taking all top five spots of the worst performing contracts during the month. The long Dow Jones position was the worst performer (the contract surged 7.3%).

Currencies were the best performing asset class, as the net short dollar positioning made strong gains from both major and minor currencies. However, it was the short position in a selection of emerging market currencies that made the biggest gains, notably the Turkish lira (gained 2.4% along with other emerging FX and bolstered by the country's central bank hinting that they are in no rush to cut interest rates). The long dollar position against the Singapore dollar caught some losses, as the Singaporean dollar rose strongly on a cocktail of upside risk, mainly above estimated inflation figures (0.5% versus the 0.3% estimate) and optimistic developments on US-China trade talks. Bonds and Short Term Interest Rates were both marginally positive.

At month-end, the strategy keeps a net short dollar, and Equity Indices position. A net long Bond position is also kept, while the strategy has shifted from a net long Short Term Interest Rate position, to net short.