Fund Fact Sheet

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CFM ISDiversified Trust

Alternative Beta
March 2019

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$.9857	Unit Price
+0.66%	March ROR
+0.15%	Year to date ROR
A$76m	AUM ISD Trust
US$598m	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	0.0	0.7										**0.2**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	0.2	3.1	0.2	-2.9	-0.3	-0.4	-0.2
Offshore strategy in USD	1.0	1.6	1.0	-3.4	-1.3	-1.4	3.0

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$9.7 BILLION**

CFM approach

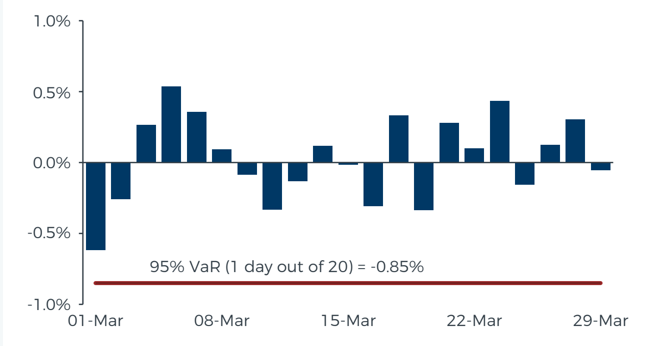
Research
A dynamic research team dedicated to developing new strategies, improving execution algorithms and refining portfolio construction techniques

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.

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

Offshore Benchmark Strategy in USD [2]

March 2019

Performance analysis

	Since Inception	Last 12 months
Total Cumulative Return	16.7%	-3.3%
Annualized Rate of Return	3.0%	-3.3%
% of Positive Months	52.4%	33.3%
Best Month	4.4%	3.3%
Worst Month	-3.6%	-2.3%
Peak to Valley Drawdown	-10.8%	-7.3%
Annualized Standard Deviation	5.6%	5.1%
Sharpe Ratio	0.4	-
Correlation [3] between ISD and		
HFRX Global HF [2]	0.31	0.08
Barclays Global-Agg [4]	0.11	0.10
MSCI World Index [5]	0.21	-0.06

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	0.9	0.1										**1.0**

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

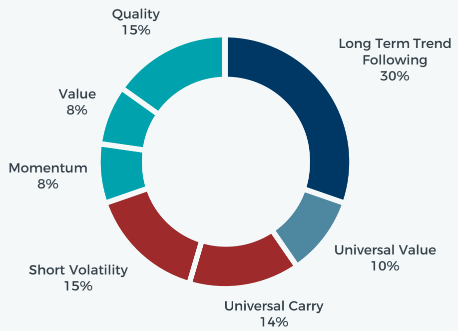
Universal Value

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

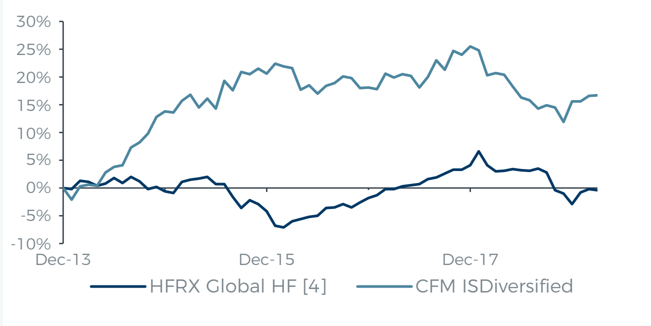
The program buys/sells cheap/expensive instruments relative to both price based and fundamental value metrics.

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

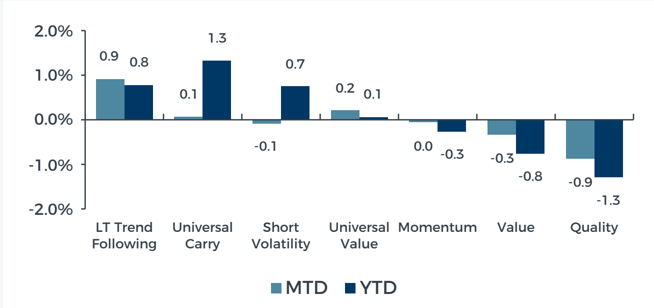
Strategy AUM allocation



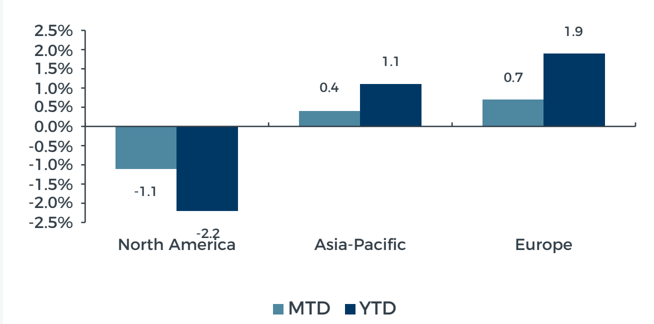
Compounded returns since inception



Contribution per strategy (gross)



Contribution per geographic zone (gross)



For further details

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Key performance figures

Performance	FUM		
+0.6587% Monthly Return	**A$76m**	(A$76m equity)	ISDiversified Trust FUM (6% vol)
+0.1504% YTD Return	**US$2.9bn**	(US$2.5bn equity)	ISDiversified Program FUM (6% vol)
	US$9.7bn	(US$7.9bn 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 Federal Reserve's Federal Open Market Committee (FOMC) met on March 20, keeping interest rates at their current levels, but striking a more dovish note by saying that it "might be some time" before the bank needs to adjust monetary policy. Global equity markets found some impetus after the announcement, before dipping towards the end of the month along with yields in sovereign debt.
- The European Central Bank (ECB) announced a shift in their forward guidance policy on March 7, with rates set to remain unchanged until the end of 2019. Moreover, a new round of 'Targeted Longer-Term Refinancing Operations', or TLTROs was announced, encouraging banks to inject credit into the economy. The dovish announcement sent the euro lower.
- The US 3-month / 10-year Treasury yield curve inverted for the first time since 2007 on March 22. Investors seem sanguine about the prospects of no more Fed rate hikes amidst slower economic growth prospects. The US also posted its biggest monthly budget deficit on record, as treasury auctions are ballooning in size and tax revenue income (owing to the Trump Tax Cuts and Jobs Act of 2017) have been choked.
- US Employment figures printed on the last day of February disappointed, with the S&P 500 responding with 5 consecutive negative days during the first week of the month. Non-farm payrolls printed only 20K for February – the lowest since September 2017 (when hurricanes Harvey and Irma delayed hiring), and well below the economic consensus of 180K. Expectation figures, however, were claimed to be too high owing to double counting when government employees took second jobs during the US Federal Government shutdown. Nevertheless, when averaging over 3-months, the monthly jobs created is still above historical averages.
- Risk assets slumped towards the end of the month with a deteriorating macro picture. Many leading economic indicators have disappointed (Eurozone Manufacturing PMI slowing at the fastest pace in five years, along with Chinese Industrial Output growth the lowest since 2002).

Trends: +1.46%

The Trends strategy performed well, with all asset classes delivering positive returns. Interest Rates were the best performers, especially our net long exposure in Bonds. The asset class delivered good returns, with global bond yields slipping during the month. The FTSE World Government Bond Index gained 1.3% in March as investors sought out greater exposure to safe-haven assets amidst worries of a global economic slowdown, and, an associated dovish outlook by the US Federal Reserve. Our long German Bund position performed best, as the benchmark German 10-year dipped into negative territory for the first time since 2016 (on March 22, the same day as when the US 3-month / 10-year yield spread turned negative). The Bund ended the month 25 basis points lower.

Performance from Equity Indices was more modest, but positive. Mostly small gains were registered among the diversified set of contracts, with our long mini NASDAQ exposure nosing it just ahead of the mini Russell 2000 (where the strategy holds a short position). The Nasdaq 100 Index gained 3.8% (broadly in line with other US indices) while the Russell 2000 lost 3.8% (as smaller firms are particularly sensitive to growth concerns). Our short exposure in the S&P mini was the worst performer as the benchmark index gained 1.8% (1.9% for the total return variant).

The overall net long US dollar position delivered marginally better than flat performance, with gains coming mostly from long positioning against a basket of major G7 currencies. The US dollar gained early during the month as the ECB announced fresh stimulus, but paired back as the Fed delivered its own dovish outlook during the third week. The US dollar strengthened again towards month-end on US treasury buying owing to favourable yields compared to other developed nations and the DXY dollar index closed out the month 1.2% higher. Our long US dollar position against the euro gained most (dollar gaining 1.4% against the single currency as it slipped to a 20-month low on new ECB stimulus and a lower-rates-for-longer message by ECB President Draghi).

At the start of April, the program maintains a net long position in Bonds, Short Term Interest Rates, and Equity Indices. The strategy also preserves a net long US dollar position.

Equity Market Neutral: -1.48%

The Equity Market Neutral program ended in the red, with all clusters contributing negatively. Whilst European equities continued to perform well (being both positive for the month and YTD), the biggest detractor was US equities. Across the entire book, it was the Financial and Technology sectors that fared best (and were the only positive sectors). The Consumer, Non-Cyclical sector was the worst performer.

Momentum: +0.01%

The Momentum cluster fared best, albeit being marginally positive. The cluster's performance was largely hindered by US equities, especially in the first week – a week in which the S&P 500 sold off, losing 2.2% after a disappointing US jobs report. Staying in the US, good performance from the Consumer, Cyclical sector was diluted by its counterpart, the Consumer, Non-Cyclical sector which caused a majority of the losses. European stocks took top spot, with positive performance mostly from the Industrial sector.

Value: -0.37%

Performance of the Value cluster saw all sectors in the red, except the Financial and Utilities sectors. In the Financial sector, the majority of all gains were provided by European Financial equities, where the program had a net long position owing to strong, positive Value predictors, especially for the REITS subsector. Overall, it was US equities that underperformed most in this cluster, with most losses in the US coming from the Industrial sector. Losses in this sector came from all subsectors, bar Electrical Components.

Quality: -1.12%

The poor performance from US quality stocks in particular made the cluster the worst performer over the month. All other regions were also negative. In the US, it was the Consumer, Non-Cyclical sector that pulled on performance most, especially the Biotechnology sub-sector where our net short exposure fell victim to a surge in the price of most Biotech stocks.

Risk Premia: +0.34%

Universal Carry: +0.54%

The Universal Carry Trade strategy posted a third consecutive month of positive returns, with gains coming mostly from Short Term Interest Rates. Our long position in Eurodollar benefitted most, as the dovish sentiment from the Fed lowered future interest rate expectations, with the Libor USD 3-month rate slipping 0.6% over the month. Markets moreover scaled back bearish bets on Eurodollar futures.

Meanwhile, Equity Indices contributed positively, with our long position in the UK FTSE, a standout (the benchmark index gained on a falling pound as a no-deal Brexit started to look likely – making predominantly US dollar earnings of UK domestic equities cheaper in pounds). Bonds, however, ended in the red. The strategy's short position in shorter-dated US and German paper (notably the German 2-year Schatz which shed nearly 10 basis points) were the main detractors as yields tumbled on safe-haven appetite amidst economic slowdown concerns.

At the end of the month, the strategy is short Bonds and Volatility Indices. A net long position in the US dollar, Short Term Interest Rates, and Equity Indices is maintained.

Short Volatility: -0.20%

The Short Volatility strategy recorded its first negative month of 2019, with negative performance hailing exclusively from our delta hedged options in Bonds. Volatility in the US 10-year saw a pronounced increase, with 30-day historical volatility jumping during the third week, along with implied volatility (as measured by the TYVIX index), that surged from a YTD low of 3.42 points on March 20, to 5.24 on March 25. Activity picked up after the more-dovish-than-expected announcement of the Fed after their March 20 meeting. Investors piled into the safety of bonds on the Fed's lowering of its economic growth forecasts (and the US Central Bank signalling a much less optimistic outlook on continued US, and global growth prospects). The Fed is now expecting 2.1% growth in 2019, down from the 2.3% forecast in December of 2018.

Volatility in other asset classes was more muted, with marginal gains booked from our delta hedged options in Equity Indices. The S&P 500 registered only 3 days where moves were greater than ± 1% with volatility expectations, while spiking right after the Fed announcement on March 20 (reaching 16.48 points as per the CBOE VIX), continuing to hover around a lower than historical average of 15 points. The measure of implied volatility in the Eurostoxx 50, i.e. VSTOXX, closely followed the VIX, with a spike on March 20 and averaged 16.5 points – much lower than a peak of 23 points observed at the start of the year.

Universal Value: +0.26%

The Universal Value strategy recorded good performance in March, finishing in the black for the month and the quarter after a challenging first two months of 2019.

All asset classes delivered positive returns, except Currencies. Our net short US dollar exposure detracted from overall performance, in large part owing to long positioning in a select few G7-21 currencies. Our long Turkish lira position offered the biggest negative returns, as the currency slid 4.2% against the greenback (and more than 5% on March 22 as a cocktail of lower transparency by the Turkish Central Bank on its FX intervention, and domestic banks reducing their lira purchases hit the currency). The lira fell in unison with its peers, as emerging market currencies got hurt as growth worries flared up.

Our net long Bonds exposure offered the best returns as sovereign yields dropped globally – both the German and Japanese benchmark 10-year paper were in negative yield territory. With yields dropping, our long position in the US 2-year Treasury was the key contributor to performance (the yield of the bond dropped 30 basis points), ending the month at 2.3%, down from 2.6%.

At month-end, the strategy retains a net long Bonds, and net short US dollar position. The strategy has moved from a short to long exposure in Short Term Interest Rates and Equity Indices.