Fund Fact Sheet

CFM ISDiversified Trust

Alternative Beta
June 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

A$1.0097	Unit Price
+1.24%	June ROR
+2.59%	Year to date ROR
A$86m	FUM ISD Trust [1]
US$586m	FUM Master [1]

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	0.1	1.1	1.2							**2.6**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	2.4	2.6	2.6	3.7	1.7	1.6	0.5
Offshore strategy in USD	1.8	2.8	2.8	2.2	0.3	0.5	3.2

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$10.2 BILLION**

CFM approach

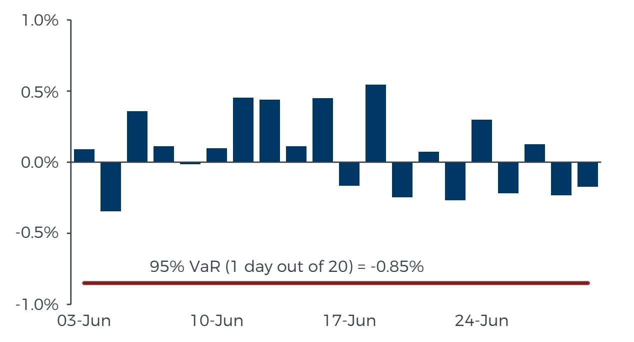
Research
A dynamic research team dedicated to developing new strategies, improving execution algorithms and refining portfolio construction techniques

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]



Unless otherwise specified, all monthly performance figures are based on the official NAV of CFM ISDiversified Trust. Returns are net of management and incentive fees.

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.

Performance analysis

	Since Inception	Last 12 months
Total Cumulative Return	18.8%	2.2%
Annualized Rate of Return	3.2%	2.2%
% of Positive Months	53.0%	50.0%
Best Month	4.4%	3.3%
Worst Month	-3.6%	-2.3%
Peak to Valley Drawdown	-10.8%	-3.7%
Annualized Standard Deviation	5.5%	4.8%
Sharpe Ratio	0.4	0.0
Correlation [3] between ISD and		
HFRX Global HF [4]	0.31	0.04
Barclays Global-Agg [5]	0.11	0.15
MSCI World Index [6]	0.21	-0.05

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	0.2	-0.1	1.7							**2.8**

CFM ISDiversified strategies

Trends

Long Term Trend Following
Seeks to extract returns from momentum across four asset classes.

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

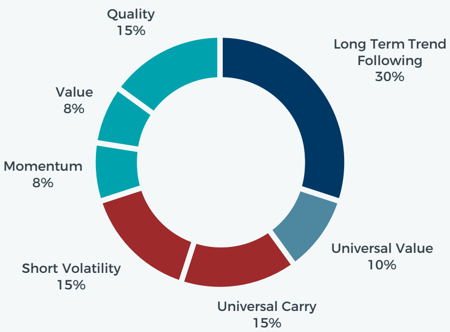
Universal Value

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

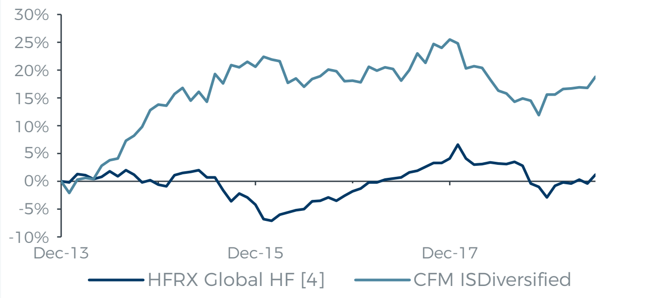
The program buys/sells cheap/expensive instruments relative to both price based and fundamental value metrics.

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

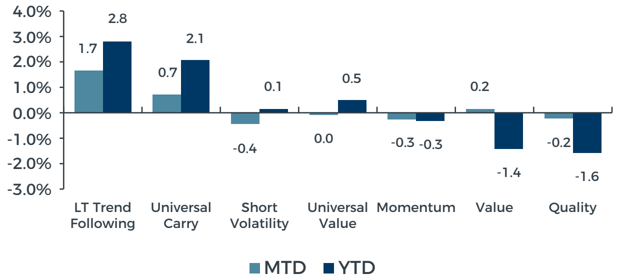
Strategy AUM allocation



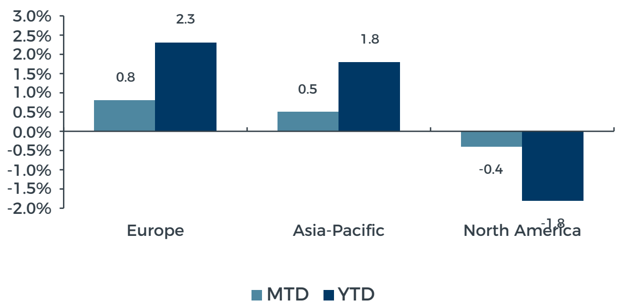
Compounded returns since inception



Contribution per strategy (gross)



Contribution per geographic zone (gross)



For further details

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Footnote definitions

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.

Disclaimer

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SBai SIGNATORY May '19

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Key performance figures

Performance		FUM	
+1.2413%	Monthly Return	**A$86m** leveraged FUM / **A$86m** equity	ISDiversified Trust (6% vol)
+2.5877%	YTD Return	**US$3.0bn** leveraged FUM / **US$2.6bn** equity	ISDiversified Program (6% vol)
		US$10.2bn leveraged FUM / **US$8.4bn** equity	Firm-wide

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 economic figures disappointed. Non-farm payrolls, ISM Manufacturing, and Consumer Confidence for the US all printed lower than previous readings, and below economists' expectations.
- A cocktail of disappointing macroeconomic indicators, lacklustre inflation, and the simmering trade war prompted most global central banks to pivot dovishly.
- On June 4, US Federal Reserve chief Jerome Powell hinted that the US Central Bank would be ready to cut interest rates, saying that they "will act as appropriate to sustain the expansion". This was the first in a string of dovishly interpreted comments from central bank chiefs with markets responding positively to an expectation of looser monetary policy. Markets, as gauged by Fed Fund futures contract prices, are expecting two to three rate cuts by the end of 2019.
- As a result, both risk assets (equity and credit markets), and safe haven assets surged (bond yields fell, gold hit a 5-year high, and the yen gained against the dollar).
- Markets enjoyed a final burst of gains towards the end of the month, as a meeting by US and China leaders during the G20 meeting led to rumours of a likely trade deal.

Trends: +1.75%

The Long Term Trend Following program delivered positive results in June; nearly all asset classes contributed positively, with Currencies being the exception.

Credit Indices stood out as the best performer as default probability rates fell. The long position on credit indices benefitted in large part from the suggestion by the European Central Bank (ECB) that it could cut interest rates and resume bond purchases – with the corporate bond market a likely beneficiary.

An overall, slightly long Equity Indices position showed good returns: the positioning benefitting as most global equity benchmark indices delivered returns in the high single digits. The surge in capital markets was mostly a two-pronged tale, with renewed hope of de-escalation in the US-China trade war towards month-end, along with global central banks signalling a readiness to support growth throughout. The dovish tilts sent US equity indices to record highs during the final weeks of June. The program's long positions in the Eurostoxx (up 5.9%) and Amsterdam (up 5.2%) indices were amongst the stand out performers, while a short position in, amongst others, the DAX (German benchmark index up 7%) detracted from overall performance.

The net long position in the Bond sector benefitted as yields on most global sovereign debt tumbled: the US 10-year benchmark briefly dipping below 2% (and down 12 basis points over June). The bond rally was fanned in part on an expectation that central banks will adjust monetary policy more dovishly owing to economic growth concerns, as well as, and because of the uncertainty about a potentially debilitating US-China trade war. All long positions contributed positively, with the 10-year benchmark bonds of Japan (yield down 6 basis points) and Germany (yield down 13 basis points) two of the more notables. Short Term Interest Rates were also in the black, with both the long Euribor and Eurodollar positions gaining as the market's expectation of future short rates slipped further.

The program's net long dollar position in both a basket of developed, as well as emerging market currencies, however, acted as a slight drag on overall positive performance. The greenback lost ~1.7% against a basket of peers, as the Fed is seen cutting interest rates later this year – markets have priced a nearly 40% probability of at least two rate cuts by year-end. The long position against the euro (the single currency gained 1.8%, also touching a three-month high) and the Korean won (gaining 2.8% and breaking through and touching the 50 and 100-day moving averages respectively) were two of the pairs responsible for the most losses.

At the start of July, the program maintains its net long Bonds, Credit Indices, Short Term Interest Rates, Equity Indices and dollar position.

Equity Market Neutral: -0.40%

The Equity Market Neutral program slipped into negative territory, with negative or flat performance registered in all regions. The one exception was Japanese equities, where gains were made, specifically from the Consumer, Cyclical sector. The Momentum cluster was down most, while the Value cluster was best (and also the only positive cluster). Across the entire book, it was also the Consumer, Cyclical – in which the program has a net long position – that fared best as global markets rallied. Meanwhile the Consumer, Non-Cyclical sector was the worst. As the market digested dovish central bank posturing, and some positive news on deescalating geopolitical risks, markets tilted their preference towards cyclical, especially the Auto, Auto parts, Apparel and Retail industries.

Momentum: -0.28%

Most regions posted negative gains in the Momentum cluster, with European securities the worst. Aggregated across all regions, performance was characterised by divergent returns amongst sectors – with the Financial sector the best (especially Insurance industry names with a net long signal position), while Consumer, Cyclical did the worst. Europe, registering the most negative returns, was primarily stymied by short exposure on the Industrials sector. The Eurostoxx index returned 5.9% in June (the best monthly performance since December 2016) on expectations of some relief for large export-reliant industrials, which constitute a large weight in the index, if trade negotiations resume.

Value: +0.16%

Value delivered positive returns, with most regions positive. Australian (in large part due to Consumer, Non-Cyclical stocks) and US securities (owing to poor performance from a short position in the Consumer, Non-Cyclicals sector) were the only laggards, and were only marginally down. European value stocks took the podium, with Consumer, Cyclical stocks driving most of the positive performance for this cluster. Within the cluster as a whole, it was also the Consumer, Cyclical sector that stood out, while the Industrial sector trailed.

Quality: -0.28%

The Quality cluster ended in the red. While most regions were mostly flat, the negative performance came predominantly from the US. A short Quality position in the Consumer, Non-Cyclical sector was responsible for most of the losses, especially a net short position in the Biotechnology sector (where most indices on US exchanges that track the sector registered double digit monthly gains in June).

Risk Premia: +0.51%

Universal Carry: +0.63%

The Universal Carry Trade delivered positive gains. Most asset classes were also either flat, or positive, with Bonds taking the top spot. Key European tenors delivered the bulk of returns: net long positioning in benchmark 10-year paper of the Italy (as the yield plummeted 57 basis points) and France (dropping 21 basis points) were the best performers as yield slumped on expectations of looser monetary policy.

Equity Indices, on the contrary, fared less well. The net short position in the asset class registered losses as global developed and emerging equity markets both made strong gains. Short positions in all contracts ended in the red, especially in key emerging and US market benchmark indices.

At month-end, the strategy retains its net short Bonds, Equity and Volatility Indices positioning. The strategy also maintains its net long Credit Indices, Short Term Interest Rates, and dollar position.

Short Volatility: -0.14%

The Short Volatility strategy was down in June, with delta hedged options in Equity Indices recording the most losses. Whilst implied volatility in equity markets was subdued – most volatility indices moved sideways – our delta hedged options registered losses in this asset class. Despite delta hedged options on most indices featured modest gains or flat performance, the options on the Eurostoxx and mini S&P contracts dragged overall performance into negative territory. Most of these losses were, however, concentrated on only a couple of days where large daily returns were recorded: primarily on June 18 when the Eurostoxx contract gained 1.7% as Mario Draghi (ECB President) suggested that the central bank is ready to step in should stimulus be needed.

Delta hedged options in FX were positive, and the best performing asset class. The strongest returns came from the pound: the one-month at-the-money implied volatility of the pound drifted lower, reaching below 6 points mid-month and featuring few large moves. Other pairs were largely flat, with the exception of the euro. The single currency gained strongly against the dollar, with, not only the implied volatility spiking (highest level since March – reaching close to 6), but the trading pair featured six trading days where price change exceeded ± 0.5%.

Universal Value: +0.08%

The Universal Value strategy registered positive monthly performance. Good returns were made by the strategy's net short dollar position, making Currencies the only positive asset class. The greenback slid against most other coinage, with short positioning against a developed (where a long Canadian dollar took the podium after gaining 3.2% against its southern neighbour) and emerging (primarily the Mexican peso, which gained 2% on a long position) basket of currencies. The loonie reached a three-month high against the generally weak dollar on rising oil prices, and a noticeable (minus 19 basis points) compression in US-Canadian 2-year spreads, while the Mexican peso jumped during the first week as a threat of tariffs on Mexican imports into the US got postponed, along with a slight risk-on sentiment taking hold.

Positioning in Equity Indices detracted most, as short positions in key contracts – especially US benchmarks which celebrated their best H1 since 1997 – registered negative gains as global equities staged a rebound after a challenging May.

At month-end, the strategy maintains it net long Bonds and Short Term Interest Rates position. A net short dollar, and Equity Indices position is also kept.