Fund Fact Sheet

CFM

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CFM ISDiversified Trust

Alternative Beta
July 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

A$1.03335	Unit Price
+2.34%	July ROR
+4.99%	Year to date ROR
A$94m	FUM ISD Trust [1]
US$588m	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	2.3						**5.0**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	4.8	5.5	5.0	6.4	1.5	1.9	1.1
Offshore strategy in USD	4.5	5.7	5.7	5.5	0.9	1.0	3.7

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$10.4 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

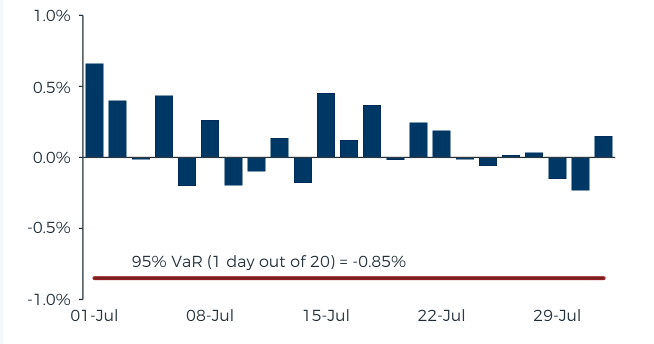
Risk Management

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]



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.

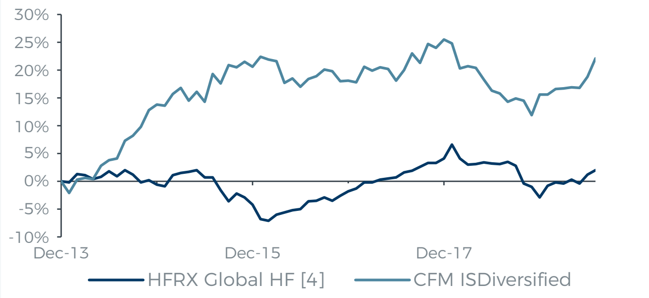
Offshore Benchmark Strategy in USD [2]

July 2019

Performance analysis

	Since Inception	Last 12 months
Total Cumulative Return	22.1%	5.5%
Annualized Rate of Return	3.6%	5.5%
% of Positive Months	53.7%	58.3%
Best Month	4.4%	3.3%
Worst Month	-3.6%	-2.3%
Peak to Valley Drawdown	-10.8%	-3.3%
Annualized Standard Deviation	5.6%	5.4%
Sharpe Ratio	0.5	0.6
Correlation [3] between ISD and		
HFRX Global HF [4]	0.31	0.01
Barclays Global-Agg [5]	0.11	0.17
MSCI World Index [6]	0.21	-0.07

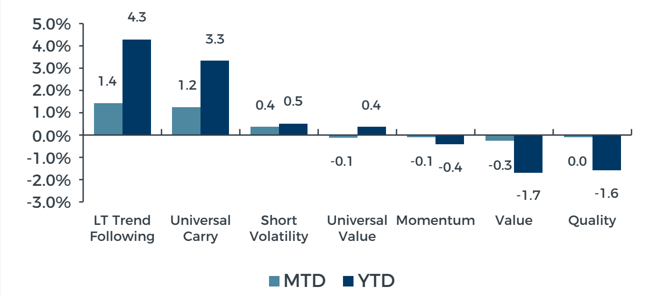
Compounded returns since inception



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	-2.3	3.3	**-7.9**
2019	0.0	0.9	0.1	0.2	-0.1	1.7	2.8						**5.7**

Contribution per strategy (gross)



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

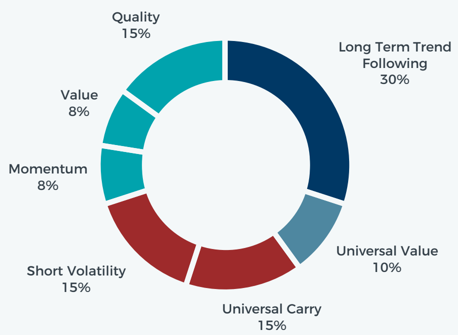
Universal Value

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

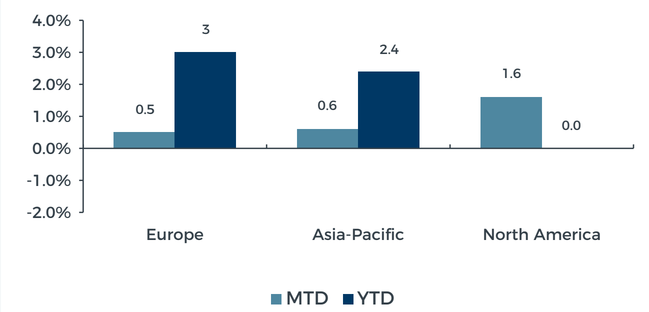
The program buys/sells cheap/expensive instruments relative to both price based and fundamental value metrics.

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

Strategy AUM allocation



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

CFM ISDiversified Trust

Alternative Beta
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Key performance figures

Performance		FUM	
+2.3423%	Monthly Return	**A$94m** leveraged FUM / **A$94m** equity	ISDiversified Trust (6% vol)
+4.9918%	YTD Return	**US$3.0bn** leveraged FUM / **US$2.6bn** equity	ISDiversified Program (6% vol)
		US$10.4bn leveraged FUM / **US$8.6bn** 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

- The month got underway with a boost from a better than expected non-farm payroll (NFP) print in the US. The US economy added 224k jobs in June (since revised to 193k), above the median expectation of 164k…
- …But, markets having largely been convinced of an imminent rate cut, took pause after the solid (NFP) figure, since the probability of a bigger 50 basis point cut became less likely. Attention very much remained focussed on central banks, and the Federal Reserve (Fed), as was widely expected, cut the federal funds target rate by 25 basis points on July 31.
- The Chinese economy grew at the slowest pace since 1992. National account figures for Q2 released in July, showed the Chinese economy grew by 6.2% in Q2 from one year earlier, down from 6.4% in Q1. The softening growth rate was largely interpreted as the trade deadlock between Washington and Beijing starting to take its toll.
- Lacklustre macro news were also registered elsewhere: German PMI figures dropped further in June (now at 43.2), along with the closely watched Ifo Business Climate Index, which fell to its lowest level since 2013.
- The US dollar gained ~2.5% against global currency peers. Despite reports from the White House of plans to restrain the rising dollar, by month-end the greenback reached a near two-year high against a basket of global developed currencies.

Trends: +1.86%

The Long Term Trend Following program delivered positive results in July. All asset classes contributed positively except Short Term Interest Rates (STIRS). A long Eurodollar position was responsible for most of the losses in this asset class, with the majority of those losses booked in the first two weeks of the month. Following in the wake of better than expected non-farm payroll data, Libor posted its steepest one-day rise since December 2018, markets reducing expectations of the pace and magnitude of Fed monetary policy easing.

Net long positioning in the Bond sector, however, saw good gains as global sovereign debt yields continued to tumble and was the best performing asset class. Markets anticipated, and mostly priced in looser monetary policy from central banks, with the US Federal Reserve cutting interest rates by 25 basis points on the last day of the month. The Korean 10-year bond was the best performing contract: the yield fell by 23 basis points as the trade-heavy Korean economy was hindered by lower exports (US-China, but also Korean-Japanese trade tensions). Total exports dropped 11% in July (making it the eighth straight monthly decline). The unexpected cut in interest rates by the Bank of Korea mid-month acted as further downward pressure on yields. The German 10-year Bund also contributed significantly, slipping 8 basis points on the program's long position. The prospect of looser monetary policy, a deteriorating outlook for the German economy (key macro indicators all printing lower), and lower inflation (European CPI rose 1.1% YoY in June, still well below the ECB target).

A slightly net long Equity Indices position registered positive gains. Market-cap weighted, developed market equity benchmark indices delivered slightly better than flat returns (~0.4%), while US equity indices fared better. The S&P 500 made record highs, fanned by the prospect of monetary policy easing in an attempt to give a boost to the economy. Earnings for Q2 were good, if not stellar, with earnings growth of ~3.4% for all those companies having reported by July 31 (65%). Emerging markets underperformed developed peers by ~2%, the negative performance largely owing to tumbling Chinese and South Korean markets. A long position in the Aussie SPI200 benchmark was, however, the best performer in this asset class. Australian equities enjoyed yet another bumper month, following the 25 basis points cut in the Australian cash rate by the Reserve Bank of Australian to 1% on July 2. Credit Indices, having a high correlation with equities, made modest gains and ended the month slightly better than flat.

FX also contributed positively in July. The program's net long dollar position against a basket of developed market currencies showed positive performance, as the greenback gained ~2.5% against a basket of peers. Good returns came notably from the short British pound which slumped to a 30-year low, reaching as low as 1.2152 against the greenback (reference close on July 30). The pound has been hammered by any prospect of a no-deal Brexit on October 31, as the hard line position of the new Prime Minister sent the pound down 4.2% against the dollar in July. Positive performance also came from emerging market currency pairs, especially the short Korean won position. The South Korean currency was one of the worst Asian currencies in July, hit by a brewing trade dispute with Japan, and re-emerging tensions on the Korean peninsula.

At the start of August, 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 delivered negative returns in July. Negative or flat performance was registered in all regions. The one exception was US equities, where gains were made, specifically from the Consumer, Non-Cyclical sector. Both the Quality and Value clusters were down, while the Momentum cluster was best (and also the only positive cluster). Across the entire book, it was the Technology sector – in which the program has a slight net long exposure – that fared best. Meanwhile the Industrial sector was the worst.

Momentum: +0.20%

Performance across regions were mostly split. Good performance from US securities was partially undermined by negative performance from European bourses. The main European benchmarks underperformed their US peers by ~3%, as investors wearily surveyed manufacturing data from Germany – Europe's largest exporter and habitually used as a proxy for the health of the European economy – continuing to slide. Business sentiment surveys in Germany (but also in Europe) have also declined to a six-year low.

Value: -0.40%

Value delivered negative returns, with all regions ending in the red. European value stocks, in a sharp U-turn from one month ago, registered the most negative returns. Across all regions, it was Consumer, Non-Cyclical stocks (especially in Europe) driving most of the negative performance. Within the cluster as a whole, it was the Energy sector that stood out as best performer.

Quality: -0.20%

The Quality cluster ended in the black . While US equities were responsible for the bulk of positive performance, Australian and European Quality names acted as a drag on better overall performance. The Financial sector was the clear returns leader this period, whilst the Industrial sector was deepest in the red.

Risk Premia: +1.65%

Universal Carry: +1.43%

The Universal Carry Trade delivered positive gains and notched the best performing monthly performance YTD. All asset classes delivered positive performance, with the exception of the strategy's net long Credit Indices position, which was largely stymied by high yield credit indices.

Currencies were, meanwhile, the best performing asset class. Net long dollar position against a selection of G7 currency pairs all registered good gains. The largest contribution came from a short euro position – the single currency dropped 2.6% against its US counterparty on general dollar strength, and worsening outlook for the economy and interest rates in Europe. A lower than hoped for cut by the Fed of 25 basis point, without any clear indication that the Federal Open Market Committee (FOMC) is likely to cut again in 2019, boosted the prospects for the dollar, whereas the European Central Bank (ECB) is commonly expected to cut its own rates further below zero in September (along with the likelihood of restarting the QE (quantitative easing) program). A long position in the Turkish lira helped the strategy register positive returns amongst G7-20 currencies. The lira gained 3.7% in July, despite a 425 basis point cut by the Turkish Central Bank, on improving economic dimensions (notably, a meaningful reduction in the current account deficit) boosting investors' appetite on lower risk dynamics for the country.

At month-end, the strategy retains its net short Bonds position, as well as its net long Credit Indices, Short Term Interest Rates, and dollar position. A slightly long Equity Indices position has also been established.

Short Volatility: +0.22%

The Short Volatility strategy delivered positive performance in July, with delta hedged options in all asset class, bar FX, recording gains.

Delta hedged options in FX registered negative gains, chiefly due to marked volatility increase in the British pound. The pound sold off by -0.6% and -0.9% during the final two weeks of the period respectively, and reached a more than two year low against the dollar. The pound ended the period down 4.2% against the greenback, with implied volatility spiking towards the end of the month (from a low of 5.5 points on July 7, to 7.4 at month-end). The GBP-USD trading pair featured 15 trading days where price change exceeded ±0.25%, of which 5 days where it exceeded ± 0.5%. The biggest loss for the strategy came on July 29, as the pound crashed 1.3% after comments from Downing Street that the Government was "working on the assumption" of a no-deal Brexit.

Volatility in Equity markets were less acute in July, with our delta hedged options on all index contracts either positive or flat. Realised volatility in US markets were more subdued than earlier – the S&P for instance featuring its lowest monthly gain/loss since September 2018. The S&P, while gaining just over 1% during the period, featured volatility that moved mostly sideways – only one trading day with a ±1% daily return was recorded. Implied volatility on most key benchmark indices slumped towards the middle of the month, before picking up slightly into the FOMC meeting – ending the period broadly in line with levels at the start of the month.

Delta hedged options in Bonds were also positive. The strongest returns came from the US 10-year Treasury which moved mostly sideways during the month, within a range of ~ 20 basis points.

Universal Value: -0.26%

The Universal Value strategy registered negative performance in July. Positioning in Equity Indices detracted most, as short positions in key contracts – especially since US technology benchmarks, and the Aussie equity benchmark made good gains – dragged on overall performance. Credit indices, meanwhile, was the only positive asset class – the strategy delivered modest returns on net long exposure as equity markets made minor, yet positive gains.

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