Fund Fact Sheet

CFM ISDiversified Trust

Alternative Beta
August 2019

CFM INSIGHT.DATA.CLARITY.

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$1.01662	Unit Price
-1.62%	August ROR
+3.29%	Year to date ROR
A$101m	FUM ISD Trust [1]
US$570m	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	-1.6					**3.3**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	1.9	3.8	3.3	6.7	-0.4	1.2	0.6
Offshore strategy in USD	3.5	3.7	4.6	5.8	-0.8	0.6	3.4

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$10.1 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

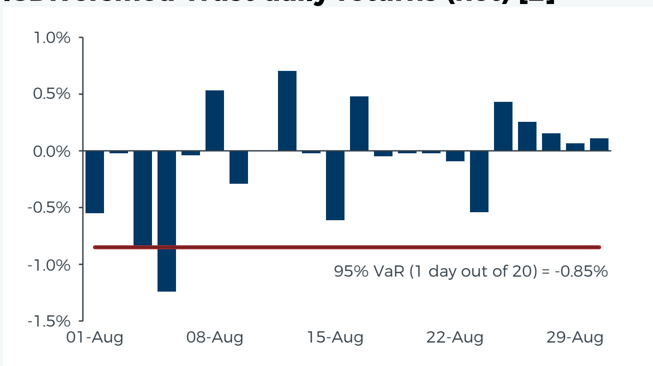
Risk Management

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	20.9%	5.8%
Annualized Rate of Return	3.4%	5.8%
% of Positive Months	52.9%	58.3%
Best Month	4.4%	3.3%
Worst Month	-3.6%	-2.3%
Peak to Valley Drawdown	-10.8%	-2.5%
Annualized Standard Deviation	5.6%	5.3%
Sharpe Ratio	0.5	0.7
Correlation [3] between ISD and		
HFRX Global HF [4]	0.31	0.05
Barclays Global-Agg [5]	0.10	0.07
MSCI World Index [6]	0.23	0.04

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	-1.0					**4.6**

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

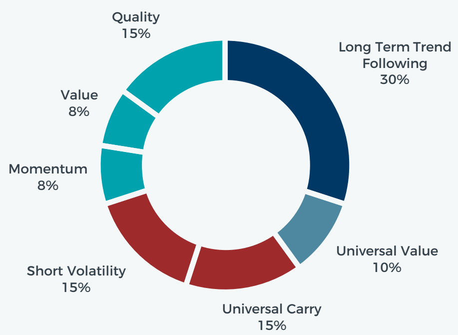
Universal Value

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

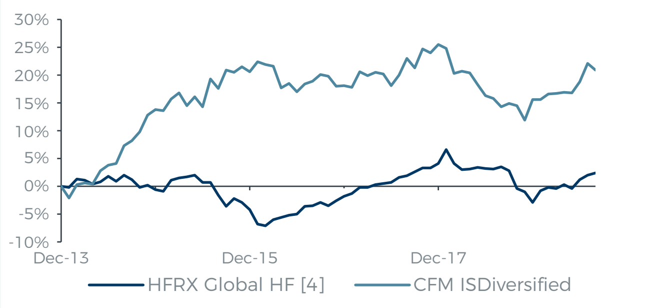
The program buys/sells cheap/expensive instruments relative to both price based and fundamental value metrics.

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

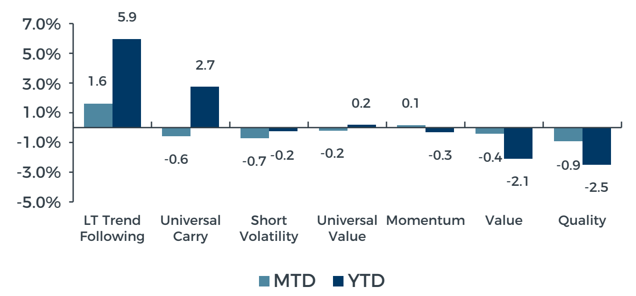
Strategy AUM allocation



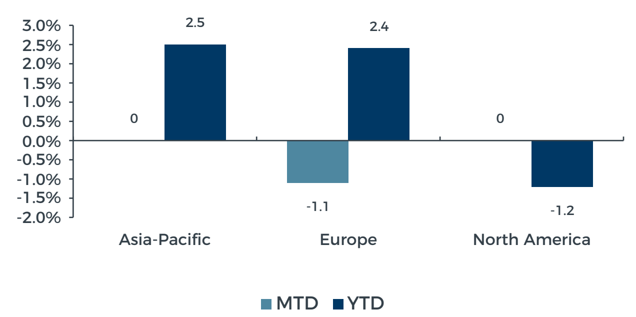
Compounded returns since inception



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

CFM ISDiversified Trust

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Key performance figures

Performance		FUM	
-1.6190%	Monthly Return	**A$101m** leveraged FUM / **A$101m** equity	ISDiversified Trust (6% vol)
+3.2919%	YTD Return	**US$2.9bn** leveraged FUM / **US$2.6bn** equity	ISDiversified Program (6% vol)
		US$10.1bn 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

- "Stocks fall on trade worries" has become a defining line in market commentary of late; it remained fitting for the past month:
- August got underway with a ratcheting up of trade tensions between Washington and China after President Trump announced, on August 1, plans to raise tariffs on Chinese imports.
- Chinese authorities responded in kind by allowing the Chinese currency to fall through the 7 yuan per dollar threshold – a key level and unseen since the financial crisis. The Trump administration swiftly, and formally, labelled China a currency manipulator. The US market subsequently fell by the most in 2019 on August 5, with volatility duly picking up.
- Investors continued their hunt for safe-haven assets, with Bonds, Gold, and the Japanese yen all making good gains
- A round of interest-rate cuts by various global central banks stemmed the sell-off at the end of the second week.

Trends: +1.42%

The Long Term Trend Following program delivered positive results in August. Most asset classes contributed positively with the exception of Equity Indices. A long Bonds positions was responsible for most of the positive gains as investors piled into safe haven assets amidst economic growth fears – the Bloomberg Barclays Global Aggregate Index registered its best monthly performance of 2019. A long Japanese government 10-year position delivered the best returns as the yield sank 14 basis points over the month (and settling on -0.28% at month-end). Long positioning in Short Term Interest Rates (STIRS) also contributed positively, as the 3-month Libor rate posted its second steepest one-month decline for 2019, as markets are betting on lower rates amidst the growing angst of a global economic slowdown.

FX contributed positively as the program's slight net long dollar position against a basket of developed market currencies showed positive performance: the greenback, as measured by the DXY Bloomberg Dollar Index, gained 0.4% against a basket of peers. Higher interest rates in the US is attracting foreign capital, as net US foreign transactions showing positive inflows in July (with only two negative months in 2019). Nevertheless, the first week of increased trade war posturing saw the Japanese yen, in which the strategy has a long position, surge to its highest level in seven months as investors yet again were relying on its safe-haven status. The yen gained 2.8% during the first two weeks against the dollar. Our long dollar position against the Korean won was, however, the best performing pair in the basket of emerging market currencies (and overall). The export-heavy Korean economy is acutely sensitive to a trade war, is entangled in a brewing trade dispute with Japan, and North Korea is ostensibly ratcheting up military posturing. The dollar gained 2.4% against the beleaguered won during the first two weeks of the month.

A slightly net long Equity Indices position registered negative gains. Market-cap weighted, developed market equity benchmark indices sold off in August (down ~2.2%), with most of these losses concentrated during the first week of the month. With the US-China trade tiff showing no signs of abating, and a global economic recession looming large, investors fled equities and sought out more defensive asset classes. The mini S&P (down -1.9%) lost 3.5% on August 5 – its biggest one day loss in 2019, after the People's Bank of China (PBOC) allowed its currency to break through a previously defended floor of 7 yuan / US dollar. This was in retaliation to newly proposed tariffs from President Trump. The most negative returns came from our long position in the Australian benchmark: the active contract lost 4.9% (the biggest monthly loss in 2019) with Banks (interest rates heading lower), and Basic Materials (large constituent pool in the index and especially susceptible to demand from China) dragging on performance. A short positon in the mini Russell was, however, the top performer: perhaps reflective of a more cautious view on US economic growth, the Russell 2000 – consisting of small-tomid cap stocks which typically underperform their large-cap peers in periods of economic contraction – retreated 5.2%. Credit Indices ended the month slightly better than flat.

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: -1.37%

The Equity Market Neutral program delivered negative returns in August. Negative or flat performance was registered in all regions, with the one exception of Canadian equities. The majority of these positive gains were made by the Financial (especially average long position in defensive Real Estate Investment Trusts, or REITS, which has surged on recession worries) and Industrial sectors (where the program has a net short position).

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 Consumer, Non-Cyclical sector that fared best. Meanwhile the Consumer, Cyclical sector was the worst.

Momentum: +0.07%

Divergent performance across regions was registered. Good performance from US securities was slightly dented by negative performance from European equities. European benchmarks were battered by lingering concerns over the health of the German economy, alongside political turmoil plaguing the Italian economic outlook. Basic Materials were the worst performing sector among European equities. US Momentum stocks fared better, boosted by short positioning in the Consumer, Non-Cyclical where poor performance by key US Food sector stalwarts made good gains on the short Momentum positioning.

Value: -0.36%

Value delivered negative returns, with losses predominantly from US equities. In the US, stock in the Consumer, Cyclical sector dragged most on performance (owing to long Value positions on key US Retail and Apparel names – including well-known department stores – buckling under pressure from stiffer online competition and starting-to-bite tariffs triggered by the trade war). European value stocks, however, registered positive returns: all but three European sectors registered positive returns, with the Financial sector the best.

Quality: -1.08%The Quality cluster ended in the red. US equities were responsible for the bulk of the positive performance, with European Quality names the main drag on overall performance. In Europe, defensive buying drove up the demand for Pharmaceutical and Health care names in which the strategy has a short Quality position.

Risk Premia: -1.68%

Universal Carry: -0.82%

The Universal Carry Trade delivered negative gains in August.

A majority of losses came from Currencies and was the worst performing asset class. Net long dollar position against a selection of G7 currency pairs were subject to a rollercoaster period, with diverging forces of yield chasing investors seeking US assets, and intensifying sabre rattling on unresolved trade disputes sending investors seeking out safe-have currencies such as the yen and the Swiss franc. A short Japanese yen proved to be the biggest detractor amongst developed currency pairs (as the intensifying trade war during the first week sent investors after this traditional safe haven – the yen gaining 2.4% over the month). Nevertheless, the biggest single negative contribution from G7-21 currency pairs, and the asset class, came from the strategy's long South African rand position. The rand slumped 5.6% on broad emerging market disquiet, fears that the country might be facing a credit downgrade (with foreign investors dumping South African debt), and general economic malaise.

The largest positive contribution came from Equity Indices. The strategy's short position in the mini MSCI Emerging Market contract delivered the best returns. Emerging markets underperformed their developed peers by ~2.8% as the Argentinian market crashed, the US-China trade war muddled along with negative spill-overs, and Brazil burned. The contract dropped 5% in one of the worst Augusts for emerging markets. Losses from the long position in, especially the FTSE, however, dented overall performance. Along with worries over the health of the UK economy, political uncertainty and the Brexit saga continuing to play out (with the likelihood of a no-deal Brexit scenario becoming more probable), the UK benchmark contract slid 5.4%. Along with increased volatility over the month, short positioning in the VIX also detracted from overall performance.

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

Short Volatility: -0.86%

The Short Volatility strategy delivered negative performance in August, with delta hedged options in all asset class ending in the red. With thinner trading, a variety of geopolitical and diplomatic crises, and a macro environment looking evermore lacklustre, volatility in all asset classes crept up. The VIX, following the announcement by the US administration of its intention to raise new tariffs (and the PBOC retaliating by allowing its currency to slip), reached close to 25 points – its highest level since the first week of January.

Delta hedged options in Equity indices registered the most negative gains, with our delta hedged options on all index contracts either negative or flat. Volatility in US markets spiked – 10 and 30 day realised volatility of the S&P 500 having reached their highest levels since January. Moreover, the S&P 500 recorded its worst daily loss of the year on August 5 (-2.98% and also the worst day for the strategy as all equity markets sold off). Half of the 22 trading sessions in the S&P 500 registered daily returns that exceeded ±1%. Delta hedged options on the Eurostoxx were, however, the biggest detractor. The European stock benchmark was stymied by especially German firms, as investors fear that the German economy is teetering on the brink of a technical recession. Implied and realised volatility on the index duly crept up.

Delta hedged options in Bonds were also negative. The most negative returns came from the US 10-year Treasury, which jumped during the first week as investors sought out the safety of liquid Treasuries. The yield finally settled 40 basis points lower at 1.5% (the lowest level in three years).

With investors taking on a risk-off mode, the yen rallied. Delta hedged options on the Japanese currency registered losses, and contributed significantly to the FX asset class ending in the red. The JPY-USD trading pair featured 16 trading days where the daily price change exceeded ±0.25% (7 of which where it exceeded ± 0.5%), with the yen gaining 1.3% against the dollar on the first day of the month. The yen went on to end the period up 2.4% against the greenback, with implied volatility as measured by one-month-at-the-money spiking to a high of 8.5 on August 23, from a low of 5.1 at July month-end. It registered the highest implied volatility amongst the major G7 currency pairs.

Universal Value: -0.31%

The Universal Value strategy registered negative performance in August, with positioning in Currencies having seen the most negative returns. While a net short dollar position in a basket of advanced currency pairs detracted, it was the same positioning in emerging market currencies that saw the most losses for the strategy. A long Brazilian real was responsible for the most losses, the real plummeting 8% against the greenback on the economic and political crisis raging in its neighbour Argentina, broad emerging market risk-off sentiment, and the growing worry over the Amazonia fires and its effect on the economy and domestic political stability. Long positioning in the emerging market duo that is the Turkish lira and Mexican peso were the other main detractors.

Equity Indices, however, contributed positively. In this asset class, a long position in the mini Dow Jones (-1.7% as US markets sold-off) took the podium for best performing contract, followed by a short position in the Hang Seng. The Hong Kong benchmark fell 7.6% in August on the general and wide-ranging macroeconomic and trade-war unease, exasperated by the ongoing civil unrest and political turmoil in the Special Administrative Region.

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