INSIGHT. DATA. CLARITY.

CFM ISDiversified Trust

Alternative Beta

September 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$1.01939	Unit Price
+0.27%	September ROR
+3.58%	Year to date ROR
A$107m	FUM ISD Trust [1]
US$517m	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	0.3				**3.6**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	1.0	3.4	3.6	6.6	0.4	1.0	0.7
Offshore strategy in USD [2]	1.3	3.1	4.1	4.7	-0.4	0.1	3.3

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

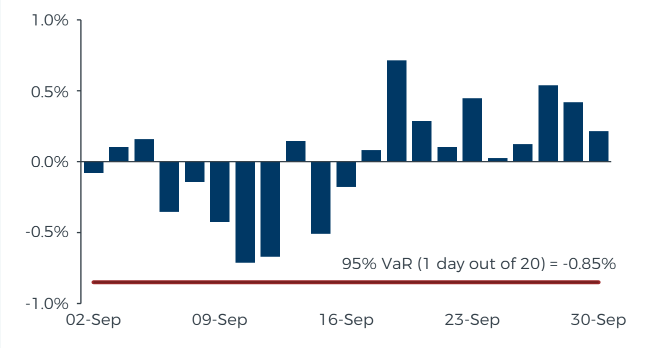
Risk Management

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)



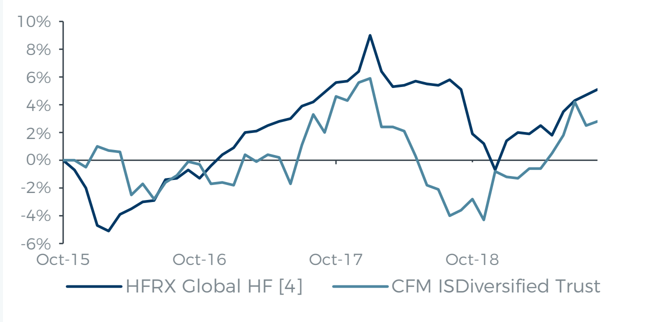
Unless otherwise specified, all monthly performance figures are based on the official NAV of CFM ISDiversified Trust. Returns are net of management and incentive fees.

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	2.8%	6.6%
Annualized Rate of Return	0.7%	6.6%
% of Positive Months	48.9%	66.7%
Best Month	3.7%	3.7%
Worst Month	-3.3%	-1.6%
Peak to Valley Drawdown	-9.6%	-1.6%
Annualized Standard Deviation	5.1%	5.2%
Sharpe Ratio	-	1.0
Correlation [3] between ISD and		
HFRX Global HF [4]	0.22	0.04
Barclays Global-Agg [5]	0.16	0.19
MSCI World Index [6]	0.12	-0.08

Compounded returns since inception



CFM ISDiversified strategies

Trends

Long Term Trend Following
Seeks to extract returns from momentum across different 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

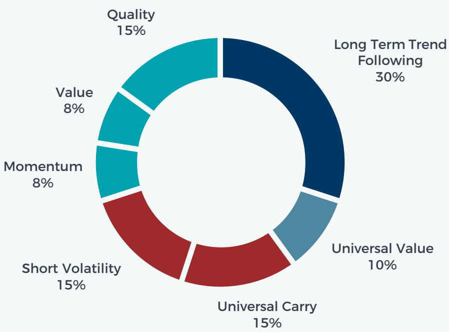
Universal Value

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

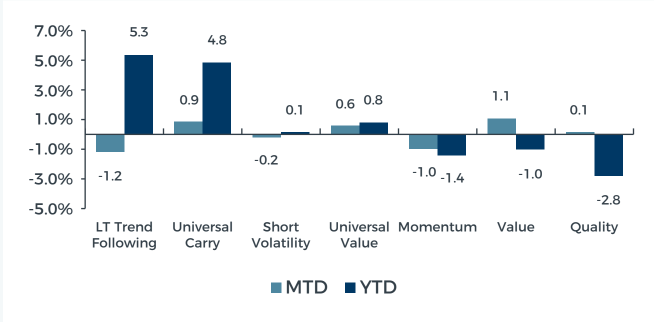
The program buys/sells cheap/expensive instruments relative to both price based and fundamental value metrics.

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

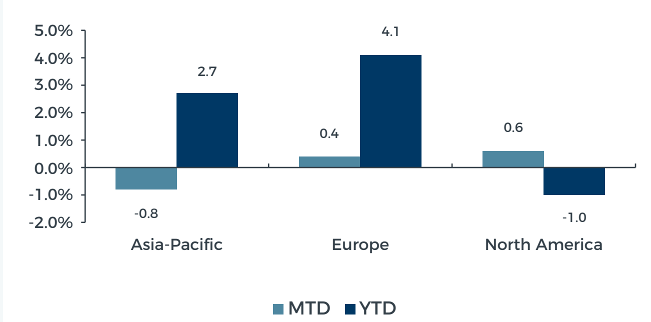
Strategy AUM allocation



Contribution per strategy (gross) [7]



Contribution per geographic zone (gross) [7]



For further details

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Footnote definitions

1. FUM based on the leveraged equity of the master fund, InRIS 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. 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.
7. Figures are based on unaudited estimates of the gross performance of the InRIS CFM Diversified program.

Disclaimer

Performance Report

CFM ISDiversified Trust

Alternative Beta
September 2019

Key performance figures

Performance		FUM	
+0.2724%	Monthly Return	**$A107m** leveraged FUM / **$A107m** equity	ISDiversified Trust (6% vol)
+3.5752%	YTD Return	**US$2.8bn** leveraged FUM / **US$2.5bn** 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

- Global equity markets rallied early during the period, as US and China officials announced their intention to resume trade negotiations. Renewed hope for a resolution to the stand-off sent the S&P 500 1.3% higher on September 5, with US Treasury yields picking up strongly (the US 10-year yield gained 11 basis points – its biggest one day rise in nearly two years).
- The European Central Bank (ECB), on September 12, announced an aggressive stimulus package, which included a reboot of its asset purchasing program. European, as well as emerging markets reacted positively on the news – despite much uncertainty about the outlook for the German economy. The Eurostoxx 50 index gained 4.2% in local currency terms, one of the best performing global benchmarks during the month.
- This was followed The US Federal Reserve (Fed), which, as was widely expected, cut its federal funds target rate by 25 basis points on September 18 – with most equity benchmarks tracking higher immediately following the decision.
- An attack on Saudi oil infrastructure over the weekend of September 14 sent oil prices soaring nearly 15% on Monday, September 16. With heightened geopolitical risk to digest, equity markets plateaued for the remainder of the month.
- Momentum 'crashed'. While speculation abound as to the origin for the notable sell-off in momentum stocks, the consensus seems to point to the abrupt U-turn in the most recent spurt of bond buying. As yields rose, and markets turned bullish, hitherto favoured defensive stocks sold-off, especially Consumer staples.

Trends: -1.14%

The Long Term Trend Following program delivered negative results this month, with most asset classes having contributed negatively.

A long Bonds positions was another one of the key detractors. With trade worries easing, along with a flurry of new debt issuance pushing up supply, bond prices fell during the opening two weeks of the month. The US 10-year benchmark, for example, gained nearly 40 basis points by September 13 from its below 1.5% record low early during the month. A long position in the Japanese 10-year (the yield of which rose 5.7 basis points, owing, to amongst others, a bet that the Bank of Japan will adjust monetary policy to steepen the yield curve); as well as the Korean benchmark 10-year (its yield rose 18 basis points) were two of the contracts that delivered the most negative returns. Long positioning in Short term interest rates (STIRS) also contributed negatively, as the 3-month Libor rate dipped 5 basis points – despite a mid-month bump – as markets continue to price in lower rates.

FX contributed negatively, with the program's slight net long dollar position against a basket of developed market currencies registering the most losses. The dollar, while gaining 0.5% against a basket of peers as per the DXY Bloomberg Dollar Index, lost 1.1% against the British pound on the program's long position. Sterling rallied on the back of speculation about a breakthrough in Brexit negotiations, along with positive comments from European Commission President Juncker, hitting a 2-month high against the greenback. However, positioning in the Japanese yen detracted most in the asset class, as global trade tensions abated, and a shift away from the safe-haven buying observed in prior months took hold. The yen lost 1.7% against the dollar on the program's long position.

A slightly net long Equity Indices position registered positive gains. Market-cap weighted, developed market equity benchmark indices rallied this month (up ~1.9%), and with most of the gains registered during the first half of the month. The bullish sentiment was fuelled predominantly by strong readings in US economic indicators (economic sentiment and manufacturing PMI figures especially). European equities did particularly well, with the program's long position in key European benchmark indices faring best. The long Eurostoxx position was the stand out, as the index gained 3.4% (in dollar terms) on a more favourable forward-looking assessment of US-China trade negotiations. It was further boosted by an aggressive stimulus package announced by the ECB. Credit Indices, meanwhile, were slightly negative.

At month-end, the program maintains its net long Bonds, Credit Indices, Short Term Interest Rates, Equity Indices and dollar position.

Equity Market Neutral: +0.34%

The Equity Market Neutral program delivered positive returns this month. Performance, across the entire book, was positive in both North America and Europe, with Asia-Pacific registering slightly negative returns. Across the entire book, the majority of positive gains were from the Consumer, Cyclical (especially average long position in Apparel and Retail stocks which enjoyed a rebound after weeks of selling owing to fears about the trade war), and the Energy sectors (where the program has a net long position and benefitted from the spike in oil process after the Saudi refinery attack).

Whilst both the Quality and Value clusters were up, the major event was the well-publicised Momentum 'crash' – stocks that have been boasting a strong recent record, got sold off. Our momentum cluster ended in the red.

Momentum: -0.95%

Performance across regions were universally negative or flat. The worst performance, however, came from US securities. In the US, Consumer, Non-Cyclical stocks showed the most negative performance – these stocks, typically favoured by the market as a defensive strategy, has been some of the better performers given the woes of economic growth forecasts and the lingering uncertainty of the trade war. As central banks ostensibly embarked on looser monetary policy, and trade worries receded, markets turned more bullish, and defensive stock fell out of favour.

Value: +1.12%

Value delivered positive returns, with all regions ending in the black. US equities featured the best performance, will all sectors in this region, bar Industrials, registering positive gains. The program has a net short Value position in Industrials, which detracted most early during the month as sentiment on global trade and demand improved. Consumer, Non-Cyclicals were the top performer over all regions.

Quality: +0.17%The Quality cluster also ended in the black. US equities (where Consumer, Non-Cyclical securities stood out), also performed best in this cluster. Meanwhile, Canadian (where the Financial and Industrial sectors underperformed) and Japanese stocks (where Industrials also fared worst) were the main laggards.

Risk Premia: +0.81%

Universal Carry: +0.98%

The Universal Carry Trade delivered positive gains this month.

Short Term Interest Rates featured slightly worse than flat performance, with the majority of losses stemming from the long Euribor position. The European Interbank Offer rate surged after the start of the month, shortly after strong Economic data – especially from China, and hopes for a Brexit deal.

Currencies was the best performing asset class, with positive performance from both the developed and emerging market currency baskets. The program's net long dollar position benefitted from the greenback continuing to outperform on a variety of bullish fundamentals for the currency: diverging economic growth prospects (European manufacturing surveys printing lower than in the US), and higher relative yields in the US (overnight index swaps in the US yields ~1% more on average for maturities up to one year as compared to Europe), amongst others. The biggest single positive contribution came from the strategy's long position in the Turkish lira. The dollar lost 3.1% against the lira, as investors sought out riskier assets and higher yields in emerging markets.

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

Short Volatility: -0.17%

The Short Volatility strategy delivered negative performance this month, with delta hedged options in all asset class, except FX, ending in the red. The majority of losses were booked during the first weeks, especially on the days following the announcement of the ECB of their comprehensive stimulus package, and the attack on Saudi Arabia. Meanwhile, the VIX featured a V-shaped pattern in September, with implied volatility slipping during the first weeks on a better-than-hoped-for outcome to trade discussions, but picking up after the Saudi Arabia attack on September 14. The indicator nevertheless

ended the month lower, settling on 16.2 points by month-end (down from the near long-term average of 20 at the end of the previous month).
The most negative returns were recorded on Monday, September 16, following a drone strike on Saudi Arabian oil infrastructure over the preceding weekend. Volatility in most asset classes jumped.
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 was particularly heightened in Japanese equities – the benchmark Nikkei index jumped 5.1% over the month (in yen), and was one of the best performing global indices. The one exception was delta hedged options on the mini S&P – the contract featured only 2 days where daily returns exceeded ±1%.
Delta hedged options in Bonds were also negative, with the most negative returns coming from the US 10-year Treasury. Following multiple weeks of bullish bond buying, the tide turned swiftly as trade tensions simmered. Risk-off sentiment took hold, and bonds were dropped – the US benchmark yield jumped 40 basis points in two weeks, and the implied volatility – as measured by the TYVIX index, surged from below 5 on September 6, to near 6 points over the same period.
Delta hedged options on FX, however, registered positive gains. The USD-EUR trading pair ended tops, featuring only 4 trading days where daily price change exceeded ±0.5%. Implied volatility as measured by one-month-at-the-money of most G7 currencies slumped and ended lower (notwithstanding a slight pick-up towards month-end). One exception was the pound which reached a two-month high against the greenback on hopes of a Brexit solution.

Universal Value: +0.57%

The Universal Value strategy registered positive performance this month.

Positioning in Currencies saw the most positive returns. Despite the dollar making gains, it lost ground on a selection of emerging market currencies. As trade tensions simmered slightly early on in the period, risk-seeking investors favoured emerging markets, with our long position in key emerging market pairs contributing positively. The JP Morgan Emerging Market Currency Index gained 0.6% in September, in large part fanned by central bank stimulus and buoyed investor sentiment. The long Turkish lira was one of the best performers, making strong gains against the dollar – the Turkish currency tracked along on better sentiment, along with a softer than expected dovish-tone from the Turkish Central Bank after their announced rate cut on September 12.

Going into the new month, the strategy established net long Bonds and Equity Indices positions. A short position in Short Term Interest Rates has now also been established. A net short dollar is maintained.