Fund Fact Sheet

CFM ISDiversified Trust

Alternative Beta
October 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$.99948	Unit Price
-1.96%	October ROR
+1.55%	Year to date ROR
A$108m	FUM ISD Trust [1]
US$497m	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	-2.0			**1.6**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	-3.3	1.3	1.6	3.6	-1.9	0.3	0.2
Offshore strategy in USD [2]	-2.9	1.4	2.6	3.5	-2.5	-0.4	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$10 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

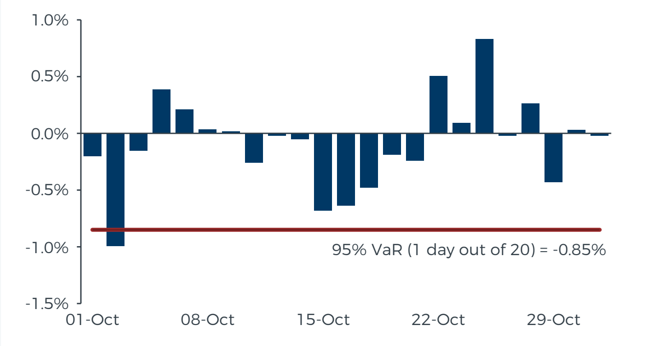
Risk Management

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)



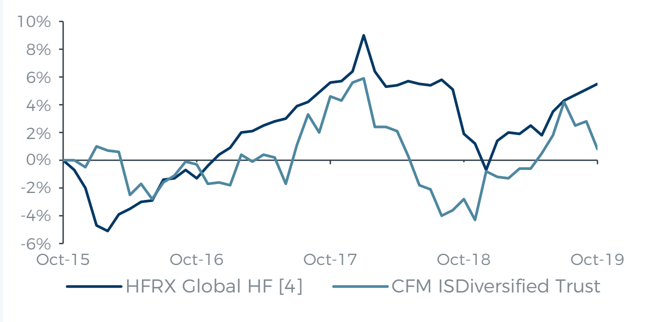
Unless otherwise specified, all monthly performance figures are based on the official NAV of CFM ISDiversified Trust. Returns are net of management and incentive fees.

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	0.8%	3.6%
Annualized Rate of Return	0.2%	3.6%
% of Positive Months	47.9%	58.3%
Best Month	3.7%	3.7%
Worst Month	-3.3%	-2.0%
Peak to Valley Drawdown	-9.6%	-3.3%
Annualized Standard Deviation	5.2%	5.7%
Sharpe Ratio	-	0.4
Correlation [3] between ISD and		
HFRX Global HF [4]	0.22	0.03
Barclays Global-Agg [5]	0.16	0.19
MSCI World Index [6]	0.12	-0.09

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

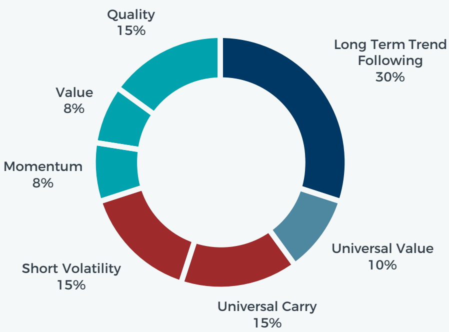
Universal Value

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

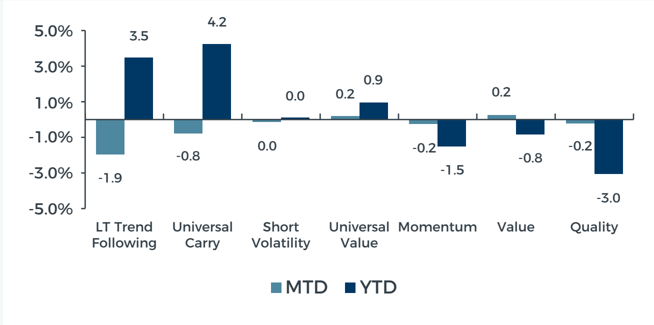
The program buys/sells cheap/expensive instruments relative to both price based and fundamental value metrics.

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

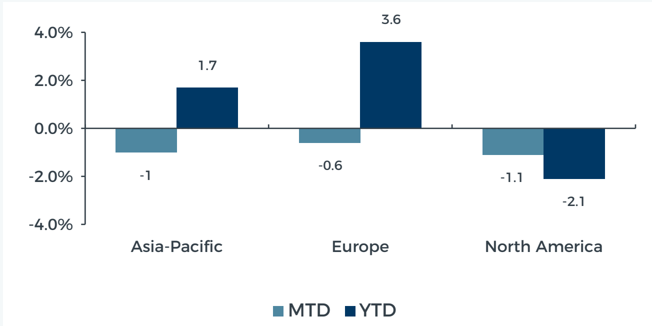
Strategy AUM allocation



Contribution per strategy (gross) [7]



Contribution per geographic zone (gross) [7]



For further details

Call us
+61 2 9159 3100

Email us
cfm@cfmaltbeta.com.au

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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.

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SBai SIGNATORY May '19

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Key performance figures

Performance		FUM	
-1.9560%	Monthly Return	**$A108m** leveraged FUM / **$A108m** equity	ISDiversified Trust (6% vol)
+1.5493%	YTD Return	**US$2.9bn** leveraged FUM / **US$2.5bn** equity	ISDiversified Program (6% vol)
		US$10bn leveraged FUM / **US$8.2bn** 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

- October and Q4 got underway in rough-and-tumble style for equities: poor US manufacturing data (US ISM Manufacturing Index fell to 47.8 in September – its lowest level in 10 years and below the 50 mark that economists expected), along with Brexit uncertainty drove the S&P 500 to close 1.2% and 1.8% lower on October 1 and 2 respectively.
- However, the rest of the month proved positive for risk assets as a 'mini trade deal' and the outlook on US-China trade negotiations improved. The S&P went on to close at a record high on October 28, and gained 2% over the month.
- A risk-on environment weighed heavily on the US dollar. The greenback fell the most in nearly two years on positive developments related to both the lingering trade war (US-China having restarted negotiations) and protracted Brexit talks (the UK and Europe having reached a newly negotiated deal). The dollar sank 2% against a basket of G7 currency peers.
- The US Federal Reserve (Fed) effected their third interest rate cut of 2019 on October 30.

Trends: -1.94%

The Long Term Trend Following program delivered negative results this month, with mixed performance across asset classes.

A net long Bonds positions delivered the most negative returns. The majority of long positions in global sovereign paper registered losses as yields rose on both optimism related to the announcement of resuming US-China trade talks during the second week, along with positive sentiment surrounding a deal to be struck between the UK and EU negotiators on Brexit. US, UK, and German 10-year benchmark yields rose 5.5, 15.9, and 15.7 basis points respectively. The most negative contribution came from the South Korean 10-year: signs of an economic recovery (along, and partly because of easing US-China trade tensions), and lower expectations of any further interest rate cuts pushed the Korean benchmark yield 23 basis points higher on the strategy's long position. Long positioning in Short term interest rates (STIRS) contributed negatively, as the 3-month Libor rate dipped 18 basis points as markets continue to price in lower rates.

FX contributed negatively to the program. The program's net long dollar position against a basket of developed market currencies registering the most losses. The greenback suffered its worst monthly performance since January 2018, with the DXY Dollar Index slumping 2%. The US dollar lost nearly 1.9% against the pound on October 10, when it emerged that the UK and Europe were close to reaching a new Brexit deal, with the euro also making gains. A short sterling position registered the most losses, with the dollar having continued its slide against sterling over the month, and closed 5% lower by month-end (its worst monthly performance against the pound in 10 years). The dollar was handed another blow as optimism over progress of a US-China trade deal grew further, especially after mid-month news reports that the two protagonists, as per President Trump, reached a "very substantial phase one deal." The US dollar continued its slide right up to month end after the US Fed cut interest rates for the third time in 2019.

Despite market-cap weighted, developed market equity benchmark indices showing good performance this month (up ~2.5%), a slightly net long Equity Indices position registered negative gains. The negative returns were predominantly from certain short positions, notably the Dax which rose 5.8% in dollar terms over the month. The German benchmark surged on a cocktail of bullish drivers, including ostensible progress towards a preliminary US-China trade resolution; Brexit negotiations heading towards an imminent deal; and the closely watched ZEW Survey for Economic Sentiment which came in at -22.8, above the average forecasts of -27 in October. Other notable detractors were the strategy's short position in the Topix (contract rose 5.2% in dollar terms), and the mini MSCI Emerging Market (the contract of which rose 3.9% amidst the same trade narrative, along with global central bank easing – making yields in these markets even more attractive).

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

Equity Market Neutral: -0.22%

The Equity Market Neutral program ended in the red this month. While Europe and Asia-Pacific registered positive P&L, the majority of losses came from North America, where specifically US equities were the major detractor. Within the US, the Consumer, Non-Cyclical sector delivered the most negative returns, especially the Healthcare services and Pharmaceuticals subsectors. Healthcare was the best performing sector in the US in October, as a flurry of high-profile approvals from the FDA along with the broad rising tide pushed the sector up 5%. Reports that drug distributors – especially those embroiled in various opioid lawsuits – were preparing to settle, acted as a further boost to the sector as these companies gained. A short position in this sector, consequently, acted as the biggest drag on overall performance. In Europe, the best performing region, the Communication sector was the best performer.

Momentum: -0.24%

Performance across regions was universally negative or flat. The majority of negative returns, however, came from US securities. In the US, Consumer, Non-Cyclical stocks showed the most negative performance, with a slight negative exposure in this sector detracting amidst a broad equity market rally and strong performance from especially Pharmaceuticals. Financials, where the program has a slight positive net exposure, fared best.

Value: +0.24%

Value delivered positive returns, with most regions either positive or slightly flat. The one exception was the US, responsible for a majority of negative returns. In the US, the Industrial sector yielded the majority of the negative returns on a net short Value position in the sector. A few idiosyncratic events were behind a majority of the negative returns in this sector: for example, medical waste disposal firm Stericycle, jumped on the optimistic outlook of their turnaround strategy, with the firm attracting various buy ratings. The stock of the firm gained 13.1% on the program's short position.

Quality: -0.22%

The Quality cluster ended slightly in the red. All regions except the US registered positive returns. The Consumer, Non-Cyclical sector was, also in this cluster, the main laggard as short Quality predictors detracted.

Risk Premia: -0.77%

Universal Carry: -0.76%

The Universal Carry Trade strategy delivered negative returns this month.

The majority of losses came from Equity Indices. As equities found a bid amidst a supportive risk environment – especially as various geopolitical uncertainties diminished – short positioning in most key benchmark indices registered losses. The German Dax, in similar fashion to the Trend strategy, featured the highest negative contribution. On the contrary, most long positions showed positive returns: the Eurostoxx contract being the stand out – rallying 3.2% as trade tensions eased. A notable exception of long positions making gains was the strategy's long position in the FTSE 100 contract. The strengthening pound was bearish for an index where ~70% of total income for the constituents is generated abroad. The UK benchmark contract consequently dipped 1.9% (in GBP) during the month.

Credit Indices, however, were the best performing asset class, with long positioning benefitting along with equity markets having staged a rally. Global investment grade markets delivered positive performance outperforming government paper by ~ 0.7%.

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

Short Volatility: 0.00%

The Short Volatility strategy delivered was flat this month. Delta hedged options in all asset classes, except Equity Indices, ended in the black or flat.
October, historically proven to be a volatile month, bucked the trend with the VIX index dipping well below the ~15.8 points it has been averaging over the first three quarters of 2019. The index slipped to a 12.3 points low on October 30. While the S&P showed muted volatility, with delta hedged option ending flat, other global benchmark indices were more volatile. Delta hedged option on Equity Indices were as such the worst performer. Delta hedged options on the German Dax registered the most negative gains – the German benchmark jumped 5.8% (in USD) over the month, and was one of the better performing global indices. The contract featured 6 days where daily returns exceeded ±1%.
The most negative returns were recorded on Friday, October 11, following news that a limited trade deal was struck between the US and China. Equities rallied, with the S&P and Dax ending 1.1% and 2.9% higher respectively. Delta hedged options on FX also contributed positively to the portfolio. The USD-EUR trading pair did not feature a single trading day where daily price change exceeded ±0.5%, with implied volatility – as measured by one-month-at-the-money option volatility – reaching a seven month low at month-end (slightly below 4.5 points). Meanwhile, the option-derived implied volatility of most G7 currencies also slumped. One exception, however, and following a similar script to a month earlier, was the pound. Sterling has been subjected to significant swings owing to positive/negative Brexit-related news, and October was not unalike. The pound rallied on news of a tentative Brexit deal, implied volatility peaking on October 15 (nearly 15 points), with delta hedged options on the pound ending flat.

Universal Value: +0.20%

The Universal Value strategy registered positive performance this month.

A net short US dollar positioning in Currencies saw the most positive returns. The US dollar tanked over the period as most safe-haven assets lost their immediate appeal amidst an improving geopolitical landscape. Short US dollar positioning in major G7 currencies (where a long pound was the best performer), as well as a basket of G7-21 currencies (where a long Brazilian real stood out) contributed positively. A short Singapore dollar, however, registered the most losses: the trade sensitive currency made strong gains (+1.6% against the US dollar) on optimistic trade negotiation forecasts, and more upbeat growth expectations (after dodging a technical recession).

Equity Indices was the worst performing asset class. Amongst global indices, a short positioning in the Nasdaq registered the most negative returns. The technology benchmark sailed 4.3% higher, benefitting from the positive trade narrative, but also good earnings reports from major tech firms. Microsoft, PayPal, and Intel all acted as major boosters for the index, after strong earnings and positive forecasts for full-year results were released.

Going into the new month, the strategy has moved into a net short Bonds position. A short position in Credit Indices, as well as a net short dollar position is maintained. A net long Equity Indices and Short Term Interest Rates position is also kept.