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CFM ISDiversified Trust

Alternative Beta
February 2020

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$.90568	Unit Price
-7.91%	February ROR
-7.04%	Year to date ROR
A$113m	FUM ISD Trust [1]
US$374m	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											0.00	-0.55	**-0.55**
2016	1.53	-0.24	-0.13	-3.12	0.85	-1.12	1.30	0.47	0.99	-0.16	-1.47	0.15	**-1.05**
2017	-0.26	2.28	-0.51	0.49	-0.22	-2.57	2.82	2.11	-1.22	2.57	-0.30	1.29	**6.53**
2018	0.24	-3.29	-0.05	-0.22	-1.83	-2.07	-0.31	-1.93	0.38	0.88	-1.54	3.65	**-6.08**
2019	-0.46	-0.04	0.66	0.07	1.11	1.24	2.34	-1.62	0.27	-1.96	-0.76	-1.77	**-1.01**
2020	0.94	-7.91											**-7.04**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	-8.69	-10.92	-7.04	-7.51	-5.59	-3.37	-2.25
Offshore strategy in USD [2]	-7.91	-10.00	-6.76	-6.65	-4.87	-3.36	1.38

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$9.3 BILLION**

CFM approach

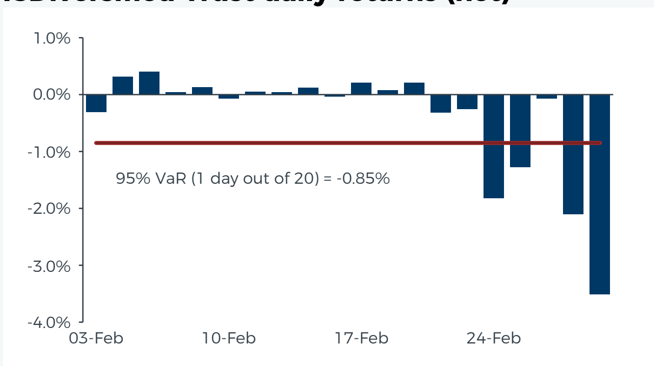
Research
A dynamic research team dedicated to developing new strategies, improving execution algorithms and refining portfolio construction techniques

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 collegial culture of cross-discipline teams fosters an environment of innovation and performance

ISDiversified Trust daily returns (net)



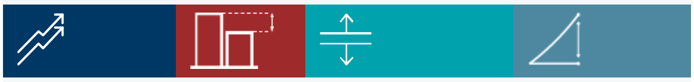
Unless otherwise specified, all monthly performance figures are based on the official NAV of CFM ISDiversified Trust. Returns are net of management and incentive fees.

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	-9.40%	-7.50%
Annualized Rate of Return	-2.30%	-7.50%
% of Positive Months	46.20%	58.30%
Best Month	3.70%	2.30%
Worst Month	-7.90%	-7.90%
Peak to Valley Drawdown	-13.80%	-12.40%
Annualized Standard Deviation	6.40%	9.20%
Sharpe Ratio	-	-
Correlation [3] between ISD and		
HFRX Global HF [4]	0.28	0.58
Barclays Global-Agg [5]	0.10	-0.01
MSCI World Index [6]	0.20	0.42

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

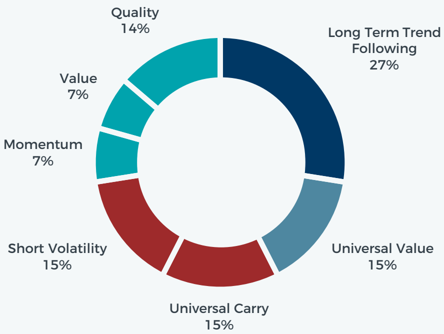
Universal Value

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

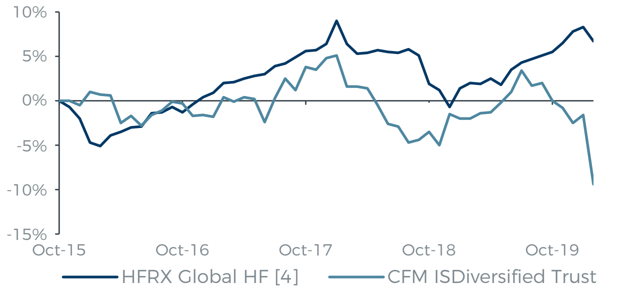
The program buys/sells cheap/expensive instruments relative to both price based and fundamental value metrics

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

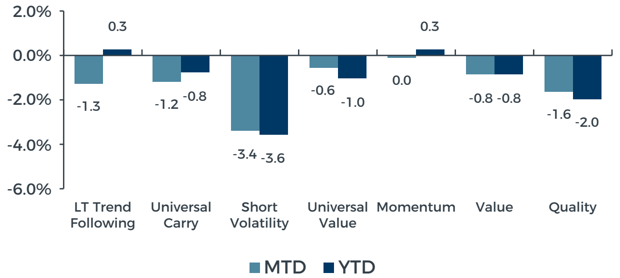
Strategy AUM allocation



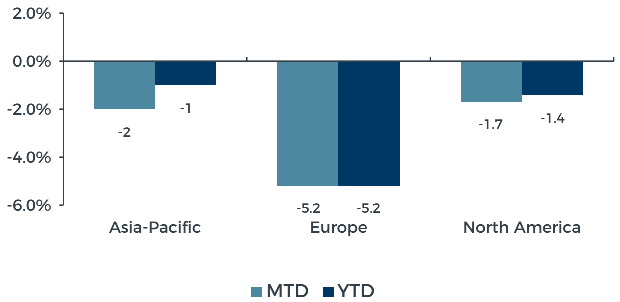
Compounded returns since inception



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

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SBai SIGNATORY May '19

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Key performance figures

Performance		**FUM**	
-7.9126%	Monthly Return	**$A113m** leveraged FUM / **$A113m** equity	ISDiversified Trust (6% vol)
-7.0431%	YTD Return	**US$2.4bn** leveraged FUM / **US$2.1bn** equity	ISDiversified Program (6% vol)
		US$9.3bn leveraged FUM / **US$7.7bn** 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

- Losses in equity markets were extensive, and near-universal as anxiety over the spread of the Coronavirus and its probable economic disruption intensified. The S&P 500 Total Return Index lost 8.2%, most losses booked in the final week. The final week saw the benchmark lose 11.5% - a ~ 5 sigma event.
- The substantial sell-off in Equity Indices starting on February 24 had a particularly severe impact on those strategies with net long equity exposure.
- Various leading economic indicators reinforced fears surrounding the COVID-19 outbreak: Chinese Manufacturing PMI printed 35.7 for February – a record low for the survey. The affiliated Caixin PMI printed 40.3 – the lowest since the survey began in 2004. The non-Manufacturing PMI fared even worse, printing 29.6. These, and related leading macro indicators is reflective of the knock-on effect of the outbreak – the Baltic Dry Index, a demand versus supply proxy for shipping capacity, for example, hit a three year low during the month supporting worries that global trade is being stifled.
- Safe-haven asset classes subsequently found strong bids, notably Treasuries (the US 10-year yield reached a new record close of 1.14%); Gold increased 1.4%; and the yen gained a quarter of a percent against the greenback.
- Volatility spiked: the VIX Index closed above 40 points – the highest level since August 2015 and the biggest weekly increase in the history of the index.

Trends: -1.27%

The Long Term Trend Following program registered negative returns.

The strategy's slightly net long Equity Indices position registered negative returns as global developed market-cap weighted equities tumbled, losing ~8.6%. The S&P 500, meanwhile, forfeited 8.41%. The majority of losses were booked during the final week of the month, starting February 24. The weekly loss of -11.5% for the S&P 500 was the fourth biggest weekly loss for the benchmark post WWII, and constituted a 5-and-a-half sigma weekly event (with volatility calculated as rolling 250-day standard deviation).

The long position in the Eurostoxx registered the most losses. The highly integrated European economy is particularly susceptible to trade disruptions. Moreover, the highest number of reported cases of the outbreak, outside of China, has been registered in Italy – providing further downward pressure on European equities: the Eurostoxx contract slumped -9.6% (in USD). Long exposure in the Australian equity market was another substantial detractor. The contract on the benchmark S&P/ASX 200 index plunged 11.2%, its second-worst weekly performance ever. The Australian economy is particularly vulnerable to any demand shocks from its largest trading partner, China (especially for commodity exports). A net long Credit Indices position delivered negative returns, echoing the slide in Equities.

Performance in Bonds contributed negatively. Sovereign bonds rallied on the strategy's marginally short 10-year equivalent net exposure. Heavy protection buying pushed the US 10-year yield to a string of record lows towards the end of the month, closing at 1.14% on February 28 (a 36 basis point drop from one month earlier). The majority of losses were registered by a trio of short positioning in the US 2-year, German Schatz, and Japanese 10-year. Long positioning in the longer-end of the US yield curve (5 and 10-year), however, contributed positively and was a meaningful contributor to the strategy. As was Short Term Interest Rates (STIRS), with long positioning in all contracts registering positive P&L as the 3-month USD Libor rate fell 29 basis points on markets expecting (betting) that central banks will step in with stimulus and lower rates.

FX offered positive returns. A net long dollar position against a basket of both developed market and G7-21 currencies benefitted from a strengthening greenback: the DXY dollar index gained 0.8%, notwithstanding significant volatility, as investors sought out safe-haven assets along with comparably higher yields. Yields on US 2-year notes still present a premium of 1.7% over the German 2-year Schatz, despite the spread having tightened during the month. A short Brazilian real against the US dollar was the best performing FX trade when the real tripped a string of multiple record lows against the greenback. The Brazilian currency finished 4.2% lower over the month, stymied by a lower appetite for riskier assets; a central bank unlikely to intervene on the market; and a wonky fiscal positioning. Meanwhile, a long Mexican peso emerged as the biggest detractor in FX. The peso sunk 3.9% against the US dollar, with the coronavirus, along with the Mexican central bank cutting 2020 growth forecast (following on the economic contraction of 2019) among the hindering factors. Amongst the major G7 currency pairs, the short Australian dollar fared best. The Aussie hit an 11-year low, and lost 2.6% of its value against the US dollar – the coronavirus outbreak being a major hit to the Australian economy (especially the interruption of supply chains and travel bans on Chinese tourists and students).

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

Equity Market Neutral: -2.49%

The Equity Market Neutral portfolio registered negative returns. US and European equities were the dominant drags on performance, while only Canadian equities registered positive gains. All other major regions ended slightly worse than flat.

It comes as little surprise that investors, post February 20, sought out defensive firms (and sectors), with Low Volatility and Quality factors subsequently outperforming. In the US, although the performance spread between best and worst sectors was tighter than one month earlier, there was still a 8.94 point (when rebased to February 1) outperformance by Real Estate, the best sector, and Energy, the worst. Across the entire book, all but two sectors ended in the red. The Consumer, Cyclical sector – in which the strategy has a slight net long exposure – fared worst. Oil&Gas, meanwhile, where the strategy has a marginal long exposure, was the worst subsector. Long positions in especially ENI, the Italian multinational oil company, and ConocoPhillips, the American energy firm, were key detractors in this subsector (and the overall book) – slipping 12.5% and 18.5% respectively as the oil price fell (the benchmark Brent contract lost 13.1%).

Meanwhile, the Industrial sector fared best. The program has, overall, a slight net short exposure to this sector. The sector delivered positive returns in both the US, and European markets. Gains from short positions in Saab (-17.1%) and Thales (-9.2%), the Swedish and French Aerospace and Defence conglomerates respectively were two of the standout contributors.

Momentum: -0.03%

The Momentum factor ended marginally down. While the majority of regions showed positive returns US Momentum stock, however, undermined overall performance. In the US, Financials lagged most (as did the sector in Europe). The Financial sector underperformance was observed across all regions.

Value: -0.83%

Value delivered negative returns. All regions were negative or slightly worse than flat. US stocks were responsible for the majority of losses in this cluster (closely followed by European equities). Most sectors were also in the red (Consumer, Non-Cyclical and Communication the worst), with only the Industrial and Basic Materials sectors contributing positively.

Quality: -1.63%

The Quality cluster was also negative, with all regions bar North America negative. US quality firms made gains, especially those in the Financial sector. In Europe, the worst performing region, it was the Communication sector that dragged most on performance.

Risk Premia: -4.55%

Universal Carry: -1.18%

The Universal Carry strategy delivered negative returns.

Equity Indices offered the most negative returns. The strategy featured a net long exposure in this asset class, performance subject to the tumbling global bourses. The long position in the Australian S&P/ASX 200 contract (the index still estimated to deliver a dividend yield above 4%, while the Australian 3-month Bank Bill rate having languished at an average of ~0.8% for the past six months) – detracted the most. The Aussie benchmark, its constituents particularly sensitive to economic malaise in China, tumbled 11.2% (in USD terms). As fears over the coronavirus spread, Information Technology and Energy Companies especially sold off, owing to their exposure in the tightly integrated supply chains, and slumping demand from China respectively. A short position in the mini-Russell, was, however, the best performer as the Russell 2000 index shed 8.7%.

The Interest Rate asset classes contributed positively. Bonds were the main contributor, with long positions in the longer end of the US yield curve making positive gains as investors shifted to lower risk assets. The entire US yield curve shifted downwards, with all maturities sitting comfortably under 2% by month-end. The long position in the US 10-year, the yield of which fell 36 basis points, was the best performing contract. Among Short Term Interest Rates, long exposure in the

Euribor contract was the standout (the 3-month Euribor rate having dipped 3 basis points), while a short Eurodollar dragged.

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

Short Volatility: -3.37%

The Short Volatility strategy delivered negative performance. The majority of these losses were registered during the final week of the month, as volatility spiked dramatically following a surge in concerns about the containment of the coronavirus outbreak and related supply chain and consumer demand disruption. Implied and realised volatility in all asset classes increased, with investors bidding up the US dollar, Gold, and Sovereign paper whilst shifting exposure away from Equity markets. Delta hedged options in all asset classes ended in the red.

The majority of negative returns were generated by Equity Indices, with delta hedged options in all Equity Indices ending in the red. The S&P 500 fell 3.4% on Monday, February 24 – the biggest one day move since June 2016, with the remainder of the week showing a similar magnitude of negative daily returns. On Friday, the US benchmark index plunged 4.4% - the biggest one day move since August 2011. The VIX jumped to 40 points in short order, up from 17 points on the Friday preceding the final trading week. The VIX ended 135% higher over the week – constituting a ~ 7 sigma deviation.

Delta hedged options in Bonds also detracted as the US 10-year Treasury tumbled. The yield on the US benchmark fell from 1.5% to 1.14% as investors sought out safety. Implied volatility picked up, with the TYVIX Index shooting past the 7.5 point level (the highest since February 2016).

FX, finally, also contributed negatively. The US dollar was bid as investors rushed into safe-havens. One month at-the-money implied volatility on most major currencies picked up, with implied volatility in the euro particularly elevated – jumping to 6.8, form 4.1 one month earlier (and a yearly high). The single currency lost 0.6% against the greenback over the period, but hides a dramatic V-shaped trading pattern during the month. The euro lost 2.4% during the first two weeks, only to regain 1.8% during the final two (the pair shifting between dollar demand, and the euro being supported following promising IFO figures from Germany). The Japanese yen was seemingly a safe-haven play, rising to a 3 and-a-half week high against the dollar, with an increase in volatility to match.

Universal Value: -0.56%

The Universal Value strategy registered negative performance, with most asset classes rounding off the period in negative territory.

Bonds offered the worst returns, as an aggregate net short position fell victim to intense safe-haven buying, especially during the final week. The strategy's long position in the US T-Bond dragged most, as the yield fell nearly 20%, settling at 1.67% on February 29. On the contrary, a long US 2-year exposure fared best.

Short Term Interest Rates, meanwhile, offered positive returns. A long position in the Eurodollar was the best performer: the 3-month Libor USD rate dipped 29 basis points as markets were betting on central bank intervention owing to a deteriorating economic outlook given the coronavirus emergency.

Going into the new month, the strategy maintains its net short Bonds, Credit Indices, as well as net short dollar position. A long position in Short Term Interest Rates is maintained, along with a net long Equity Indices position.