CFM
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CFM ISDiversified Trust

Quantitative Investment Solutions
May 2020

Fund objective

CFM Institutional Systematic Diversified (ISDiversified) is a multi-strategy Quantitative Investment Solution 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 several strategies: Trends, Short Term Trend Following, Equity Market Neutral, Risk Premia and Universal Value.

Key facts

A$.81796	Unit Price
-0.82%	May ROR
-16.05%	Year to date ROR
A$72m	FUM ISD Trust [1]
US$210m	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	-7.07	-2.02	-0.82								**-16.05**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	-9.69	-17.54	-16.05	-17.99	-9.32	-6.52	-4.28
Offshore strategy in USD [2]	-9.98	-17.07	-16.04	-16.13	-9.00	-6.58	-0.32

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$7.4 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

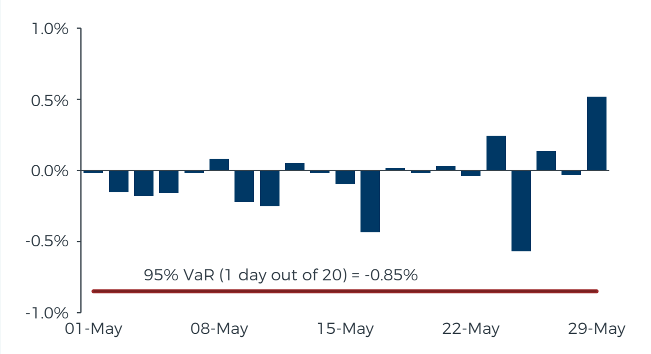
Risk Management

An independent risk team providing a multi-layered approach to market and operational risk

Collaboration

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

ISDiversified Trust daily returns (net)



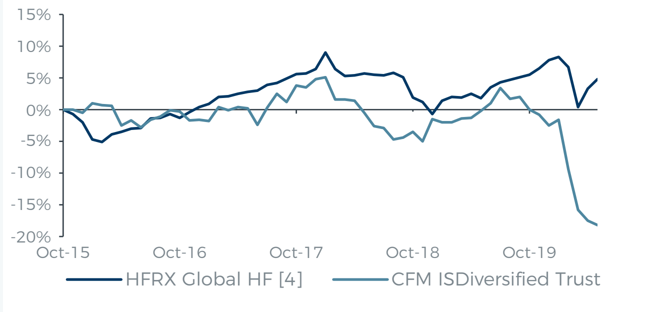
Unless otherwise specified, all monthly performance figures are based on the official NAV of CFM ISDiversified Trust. Returns are net of management and incentive fees.

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	-18.2%	-18.0%
Annualized Rate of Return	-4.3%	-18.0%
% of Positive Months	43.6%	33.3%
Best Month	3.7%	2.3%
Worst Month	-7.9%	-7.9%
Peak to Valley Drawdown	-22.1%	-20.8%
Annualized Standard Deviation	7.1%	10.7%
Sharpe Ratio	-	-
Correlation [3] between ISD and		
HFRX Global HF [4]	0.29	0.43
Barclays Global-Agg [5]	0.06	-0.03
MSCI World Index [6]	0.29	0.43

Compounded returns since inception (net)



CFM ISDiversified strategies

Trends

Long Term Trend Following
Aims to extract returns from momentum using single asset and cross-asset framework

Short Term Trend

Seeks to increase short to medium term convexity and quickly adapt to changes in the market environment

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

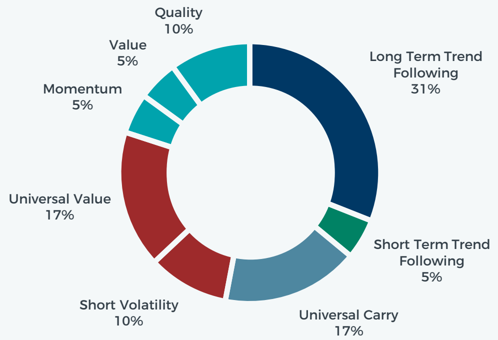
Universal Value

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

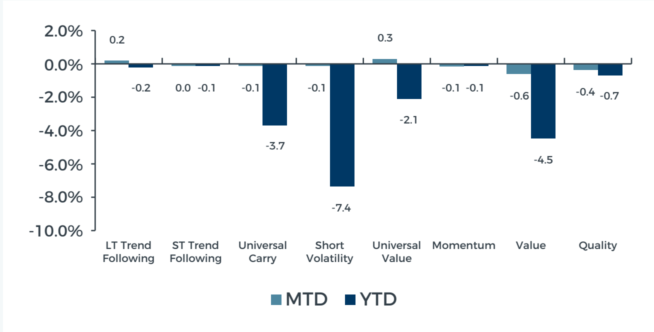
The program buys/sells cheap/expensive instruments relative to both price based and fundamental value metrics

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

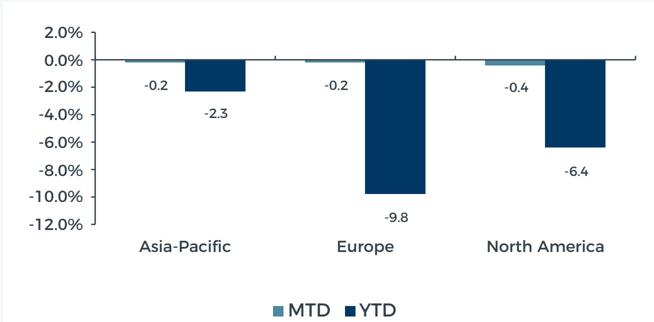
Strategy AUM allocation



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

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Key performance figures

Performance		FUM	
-0.8161%	Monthly Return	**A$72m** leveraged FUM / **A$72m** equity	ISDiversified Trust (6% vol)
-16.0467%	YTD Return	**US$1bn** leveraged FUM / **US$932m** equity	ISDiversified Program (6% vol)
		US$7.4bn leveraged FUM / **US$6.0bn** equity	Firm-wide

The returns of the master fund's underlying strategies (Trends, Short Term Trend Following, Equity Market Neutral, Risk Premia, Universal Value) represent gross "carve-out" figures resulting from an internal performance attribution process.

Performance report

- Equity markets posted healthy returns this month, US large caps gaining 4.8%. Globally, the picture was even more upbeat, with a broad European stocks benchmark up 5.1% and the Japanese Nikkei benchmark rising 7.5% (both in USD).
- In Europe, a Franco-German proposed rescue fund announced mid-month (one-off, EUR 500bn in grants to the hardest hit sectors and regions) to help bolster the EU economy recovery was well received by investors. European bourses gained and yields fell (especially those of Italy).
- In Commodity markets, Oil saw a strong rebound from the unprecedented sell-off during the opening months. Deeper cuts, along with nascent confidence in any form of economic recovery, pushed WTI Crude to nearly double its price over the month.
- High frequency macro data suggested a modest pick-up in economic activity, with a robust pickup in especially spending and travel bookings.
- The US dollar came under pressure, trading mostly sideways until slipping towards month-end. With most European economies accelerating the lifting of confinement measures; and substantial 'rescue packages' proposed, fiscal concerns in the Eurozone eased. Meanwhile, traditional commodity-linked currencies, such as the Norwegian krone, fared particularly well against the greenback.

Trends: +0.20%

The Long Term Trend Following program registered positive returns. Most asset classes contributed positively or ended flat, except Currencies.

Equity & Credit Indices

Investor optimism grew as countries started to relax confinement measures amidst an encouraging falloff in COVID-19 cases – notably in Europe. Global equity markets duly posted tidy returns. The strategy's slightly long aggregate exposure delivered positive returns, despite short positioning in key European and Japanese benchmarks having detracted. Short exposure in the DAX dragged especially, as the contract gained 8.5% (in USD) helped on by the Franco-German proposed EUR 500bn EU recovery fund; Germans spearheading the lifting of lockdown measures; and better-than-expected Business Climate expectations (Ifo actual 79.5 for May versus the 78.5 expected). A long position in the Nasdaq (contract gained +6.4%), however, provided good returns as technology stocks, boosted by the increased prevalence of work-at-home, outperformed. Credit indices registered flat returns.

Interest Rates

Net long exposure in Bonds contributed positively, with the majority of long positions in sovereign bonds registering gains. As investors optimistically looked towards some recovery in economic activity, a return to riskier assets weakened the demand for safe-havens. Contracts traded largely sideways, with the yield of the US 10-year Treasury ending flat from one month earlier. Though, the yield of the US Ultra Long Term 30-year bond rose 12 basis points, with the strategy's long positioning on this contract was among the worst performers. Yields also rose strongly in Germany, with the Bund climbing 14 basis points on a healthy rebound in European stock markets, along with a wave of new bond supply. The strategy's short position in this contract, accordingly, ended the period as one of the best performers. Yields, meanwhile, on the Italian 10-year BTP fell sharply mid-month, after the announcement of the Franco-German 'rescue fund' proposal, and continued to slide – ending the month 28 basis points lower. A long position in this contract was, consequently, the best performer in this asset class. Net long positioning in Short Term Interest Rates (STIRS) also made gains. While most long positions were flat or slightly better than flat, the long exposure in the three month Short Sterling stood out. The contract, based on the 3-month Libor rate, gained as the reference Libor rate declined 21 basis points as traders kept pricing in lower future rates.

FX

FX offered negative returns. The dollar traded sideways for most of the month, before dipping towards month-end on increasing global risk appetite. The DXY Dollar Index ended 70 basis points lower, with the net long dollar exposure consequently realising negative returns. A short position in the euro was responsible for a large share of the negative gains. The single currency gained nearly 2% against the greenback during the last week of the month, as positive sentiment around the EU recovery plan bolstered euro demand. The euro rallied to a two month high, and finished 1.3% stronger over the month. A short position in the Singapore dollar, meanwhile, was one of the better performers. The nation state – one of the most open economies in the region – have been particularly hard-hit by the subdued outlook for global growth and trade. In a bid to support exports, the Monetary Authority of Singapore has, moreover, signalled its willingness to let the currency weaken during its last policy meeting. The Singaporean dollar ultimately lost a quarter of a percent against the US dollar on the strategy's short position.

At month-end, the program maintains its net long Bond, Short Term Interest Rates, and US dollar position. Slight long exposure in Equity and Credit Indices are also maintained.

Short Term Trend Following: -0.02%

The Short Term Trend sleeve delivered slightly negative returns. Bonds were responsible for the majority of the losses, as long exposure in this asset class came under pressure as risk sentiment improved. The Bund and longer-dated US Treasuries (US Ultra

Equity Market Neutral: -1.10%

- Momentum: -0.14%
- Value: -0.59%
- Quality: -0.37%

Global equity markets enjoyed a tidy rally, with most major benchmarks delivering mid-single figure returns. With many, especially European, nations lifting strict confinement measures and rescue packages of various flavours being rolled out (or planned), investor risk appetite improved. Trading changes during the month also included a lifting, as of May 18, of a ban on short selling across Europe (France, Italy, Spain, and Belgium).

The Equity Market Neutral portfolio registered negative returns. Across the entire book, a slightly net short aggregated Consumer, Non-Cyclical sector exposure fared worst, while the Consumer, Cyclical sector fared best. US, followed by European stocks, dragged most on overall performance. Canadian, and stocks from certain APAC exchanges, however, registered positive gains. In the US, the Consumer, Non-Cyclical sector also fared worst, with Biotechnology and Pharmaceutical names responsible for the biggest losses. Short positioning in, for example, the biotech firm MacroGenics – the stock of which jumped 230% on May 6 (positive news regarding possible FDA approvals for a cancer drug), as well as on Portola Pharmaceuticals, which saw its stock jump 130% on May 5 after an announcement that it is to be acquired, were some of the standouts.

Risk Premia: -0.19%

Universal Carry: -0.11%

The Universal Carry strategy delivered negative returns, with divergent returns between asset classes.

An aggregate long exposure in Bonds was amongst the best performing asset classes. Long exposure on the Korean yield curve (10-year and 3-year yields that fell 15 and 19.2 basis points respectively) realised some of the best gains. With higher yields and healthier fiscal outlook compared to other countries (S&P in April maintained the country's AA long-term credit rating), foreign buying has reached record highs.

Positioning in Equity Indices, however, delivered the most negative returns; short exposure to the most important US benchmark contracts dragged the most during the stock rally this month. It was, however, short exposure to the S&P Midcap index that delivered the most negative returns. This Midcap benchmark outperformed its large-cap peer by nearly 3% (+7.1% over the month), with consensus that these stocks, relying more on revenue generated in the US; and being less exposed to rising tensions in China and dollar movements, attracted more interest from investors given the current climate.

At month-end, the strategy retains its net long Bonds position and Short Term Interest Rates position. The strategy also maintains its net long Credit Indices position, while Equity exposure remains all but flat. Meanwhile the dollar position keeps its net long position.

Short Volatility: -0.07%

The Short Volatility strategy delivered negative returns, with delta hedged options in especially Equity Indices detracting, while delta hedged options in Bonds realised positive gains.
Implied volatility continues to ease from the peaks earlier this year. The VIX Index moved from the mid-30s at the beginning of the period to well below 30 points by month-end. Implied volatility on the Eurostoxx 50 benchmark, however, traded sideways, and featured a few spikes along the way. The Eurostoxx 50 Index registered six trading sessions with absolute percentage change moves more than 2%, including a 6% daily jump on May 18 – the day the French and German governments announced the substantial EU rescue package. The last week of the month saw the biggest losses as the index logged a 7% gain, fanned by promises of a more substantial rescue package and tighter coordination among EU states. Other major equity indices saw much smaller daily moves with delta hedged option in these ending mostly flat.
Delta hedged options in Bonds contributed positively. Yields on the US 10-year Treasury moved largely sideways, between 0.6% and 0.75%, with implied volatility also moving lower.

Universal Value: +0.27%

The Universal Value strategy registered positive performance, with all asset classes except Credit Indices realising positive gains.

Net short dollar exposure delivered the most positive returns. Short exposure, especially in a couple of Nordic currencies, offered the best returns. The Norwegian krone, typically associated as one of a selection of commodity-tracking currencies, climbed along with the price of oil as well as the euro, gaining 5.4% against the dollar. Its regional peer, the Swedish krone (albeit with less exposure to oil), also made good gains with, amongst others, less aggressive monetary policy measures by its central bank propping up demand. The Swedish krone gained 3.5% against the dollar.

Credit Indices offered negative returns; long exposure in European CDS contracts lost most as the cost of insurance fell during the month on higher investor optimism given the ostensibly improving macro outlook and lockdown easing measures.

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, while the Equity Indices position remains largely flat.