

## 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

|                 |                   |
|-----------------|-------------------|
| <b>A\$80821</b> | Unit Price        |
| <b>+0.40%</b>   | September ROR     |
| <b>-17.05%</b>  | Year to date ROR  |
| <b>A\$55m</b>   | FUM ISD Trust {1} |
| <b>US\$183m</b> | 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 (%) (net)

| 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 | -0.91 | -0.74 | -0.08 | -0.68 | 0.40  |       |       |       | -17.05 |

## Performance figures (%) (net)

|                              | 3 months | 6 months | Calendar YTD | 1 Year | 2 Years (%pa) | 3 Years (%pa) | Since Inception (%pa) |
|------------------------------|----------|----------|--------------|--------|---------------|---------------|-----------------------|
| CFM ISDiversified Trust      | -0.36    | -3.98    | -17.05       | -20.72 | -8.06         | -7.21         | -4.23                 |
| Offshore strategy in USD [2] | -0.86    | -4.68    | -17.33       | -19.80 | -8.35         | -7.35         | -0.53                 |

## Fund details

|                         |                      |
|-------------------------|----------------------|
| Inception date:         | 11 Nov 2015          |
| AIPR:                   | PIM0034AU            |
| Management fee:         | 0.80%                |
| Fund expenses:          | Capped at 0.3%       |
| Performance fee:        | Nil                  |
| Buy/sell:               | Nil                  |
| Min investment:         | A\$20,000            |
| Distribution frequency: | Yearly as at 30 June |
| Pricing:                | Daily                |
| Investor time horizon:  | 3-5 years            |
| Benchmark:              | N/A                  |

## CFM overview



**QUANTITATIVE SYSTEMATIC ASSET MANAGER**

**FOUNDED IN 1991**

**OFFICES IN PARIS | LONDON | NEW YORK | SYDNEY**

**AUM ACROSS ALL PROGRAMS US\$6.7 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

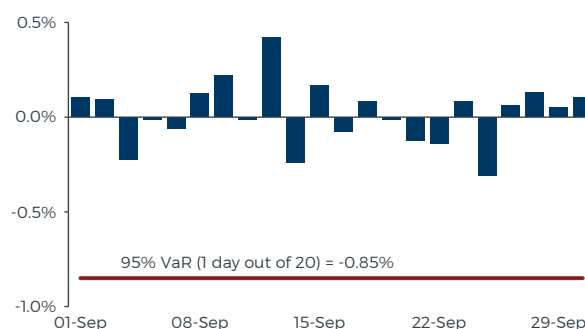
### Risk Management

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)

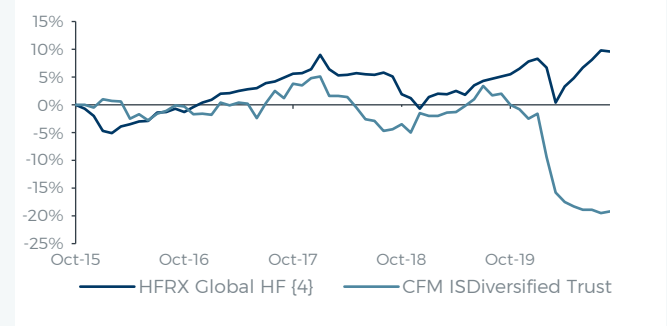


Unless otherwise specified, all monthly performance figures are based on the official NAV of CFM ISDiversified Trust. Returns are net of management and incentive fees.

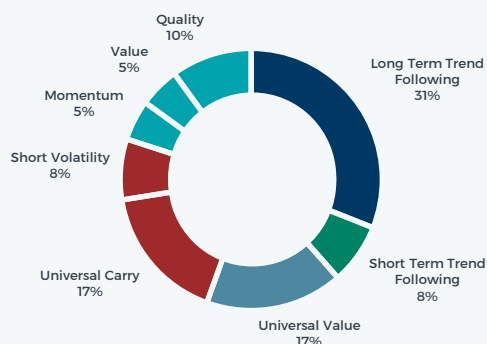
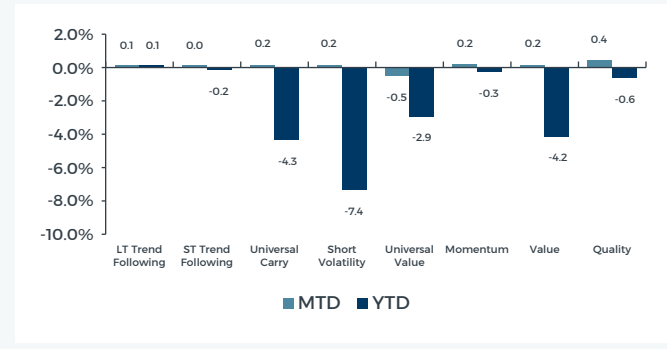
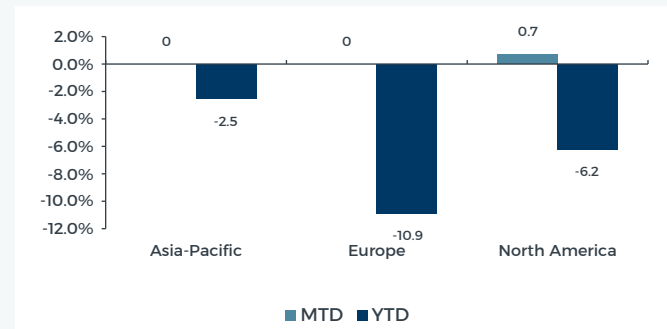
PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS. THERE IS RISK OF LOSS WHEN INVESTING IN A MANAGED ACCOUNT OR A FUND. RETURNS PRESENTED IN THIS DOCUMENT ARE UNAUDITED. ALL OPINIONS AND ESTIMATES INCLUDED IN THIS DOCUMENT CONSTITUTE JUDGMENTS OF CFM AS AT THE DATE OF THIS DOCUMENT AND ARE SUBJECT TO CHANGE WITHOUT NOTICE.

**Performance analysis (net)**

|                                 | Since Inception | Last 12 months |
|---------------------------------|-----------------|----------------|
| Total Cumulative Return         | -19.2%          | -20.7%         |
| Annualized Rate of Return       | -4.2%           | -20.7%         |
| % of Positive Months            | 42.4%           | 16.7%          |
| Best Month                      | 3.7%            | 0.9%           |
| Worst Month                     | -7.9%           | -7.9%          |
| Peak to Valley Drawdown         | -23.4%          | -21.0%         |
| Annualized Standard Deviation   | 6.8%            | 9.6%           |
| Sharpe Ratio                    | -               | -              |
| Correlation {3} between ISD and |                 |                |
| HFRX Global HF {4}              | 0.29            | 0.40           |
| Barclays Global-Agg {5}         | 0.06            | -0.06          |
| MSCI World Index {6}            | 0.28            | 0.42           |

**Compounded returns since inception (net)**

**CFM ISDiversified strategies**

|   |  |   |   |
|---|--|---|---|
|   |  |   |   |
| <b>Trends</b><br><b>Long Term Trend Following</b><br>Aims to extract returns from momentum using single asset and cross-asset framework | <b>Risk Premia</b><br><b>Universal Carry</b><br>Long high-yielding assets; short low-yielding assets | <b>Equity Market Neutral</b><br><b>Momentum</b><br>Long term trend on stock residuals<br><b>Value</b><br>Long value (low price to fundamentals) and short growth (high price to fundamentals) | <b>Universal Value</b><br>Seeks to exploit value from the mean-reversion of prices on the timescale of years<br>The program buys/sells cheap/expensive instruments relative to both price based and fundamental value metrics |
|   | <b>Short Volatility</b><br>Short delta-hedged options at targeted risk                               | <b>Quality</b><br>Assessing stock quality using fundamental data  |   |
| <b>Short Term Trend</b><br>Seeks to increase short to medium term convexity and quickly adapt to changes in the market environment      |  |   |   |

**Strategy AUM allocation**

**Contribution per strategy (gross) {7}**

**Contribution per geographic zone (gross) {7}**

**For further details**

Email us  
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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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## Key performance figures

### Performance

**+0.4013%** Monthly Return

**-17.0475%** YTD Return

### FUM

**A\$55m** leveraged FUM / **A\$55m** equity

**US\$763m** leveraged FUM / **US\$669m** equity

**US\$6.7bn** leveraged FUM / **US\$5.4bn** equity

ISDiversified Trust (6% vol)

ISDiversified Program (6% vol)

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

- ▶ US Equity markets slumped – the S&P 500 TR Index lost 3.8%. Global large-cap developed equities (excluding the US) fared slightly better, dipping ~ -2.8%. Emerging markets, in large part due to better performance from Taiwanese and South Korean equities, fared better than their developed market counterparts, down only ~ -1.6% over the period.
- ▶ The US dollar broke a five-month string of consecutive negative performance, with the DXY Index gaining 1.9% over the month.
- ▶ The pickup in the dollar curbed inflation expectations and detracted from US TIPS.
- ▶ The US Fed kept its monetary policy rate unchanged at its September meeting, cementing in its press release its intention to maintain its current monetary policy position until "inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time".
- ▶ Implied volatility remained elevated compared to historical levels, with a distinct concave-shaped VIX curve having developed as markets are expecting high uncertainty and higher volatility around the US election during the first weeks of November.



Trends: +0.05%

The Long Term Trend Following program ended flat. Performance amongst asset classes was mostly negative or flat, with the exception of Interest Rates and FX, which delivered positive returns.

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

### Equity & Credit Indices

Global equity markets sold-off this month, with no major bourses spared. The strategy's net long exposure to Equity Indices consequently realised negative returns. The S&P 500 total return index posted a -3.8% decline, dragged down mostly by Technology and related sectors. Reflective of the tech-stock decline, the Nasdaq Total Return Index slipped -5.7%, with the majority of losses registered in the first week-and-a-half, the sell-off trigger seemingly by investors' having become too worried about stretched valuations and gloomier economic outlook.

The strategy's long position in the mini-Nasdaq was consequently the worst performer this month. A short position in the IBEX Index was, however, the best performer. The Spanish benchmark underperformed its regional peers and lost 3.6% (in euro terms), trailing the European Stoxx 600 by nearly 2%. A net long exposure in Credit Indices ended slightly worse than flat, tracking lower along with the equity pull-back.

### Interest Rates

Aggregate net long exposure in Bonds contributed positively. Global benchmark yields of most G7 economies slipped as investors shifted to quality fixed income assets amidst the equity market rout. Yields on the US curve, however, moved mostly sideways, but with a slight steepening.

Long positions in the Australian 3-year delivered the most positive return, the yield of which fell 10 basis points as bonds rallied amid growing expectations of further monetary policy by the Reserve Bank of Australia. Long exposure to the Italian 10-year bond also realised good returns, the yield of which fell 31 basis points – its largest monthly decline since January 2020 and approaching its record low. Yields fell on lower inflation expectations, and a diminished risk of early elections.

However, a long position in the German Bund was the worst performer. Investors seeking out safe havens, expecting lower inflation, and European policymakers appearing increasingly divided about its crisis response, pushed German 10-year yields fell as low as -0.545%. At month-end, the Bund shed 13 basis points and reached a nearly two-month low. Net long positioning in Short Term Interest Rates (STIRS) registered marginal gains, as most global short rates moved either sideways or slightly lower. Long exposure in the 3-month Short Sterling fared best – the contract, based on the 3-month Libor rate, gained as the reference Libor rate declined ~3%, with traders keep pricing in lower future rates.

## FX

FX was slightly better than flat, with net long dollar exposure in the strategy benefitting from the greenback having gained nearly 2% during the month – breaking a five-month string of consecutive negative performance.

A short position in the Singapore performed best. The US dollar gained slightly more than 0.3% against the SGD this month.

A long Swiss franc, however, realised the most negative returns. The franc declined against most peers following stronger than expected dovish rhetoric from the Swiss National Bank (SNB) during its latest decision stating its readiness to intervene in the market to devalue the franc. The franc ended the month 1.9% lower against the greenback.



Short Term Trend Following: 0.02%

The Short Term Trend sleeve delivered slightly better than flat returns. Bonds were responsible for the majority of the gains, as long exposure in this asset class boosted returns as sovereign bonds enjoyed strong bids. Long exposure in the US 10-year far



Equity Market Neutral: +0.82%

- ▶ Momentum: +0.21%
- ▶ Value: +0.18%
- ▶ Quality: +0.43%

The recent surge in rallying technology stocks, partly responsible for supporting US equity markets, stuttered. Along with a sinking outlook for the US and global economy, global equity markets sank, with defensive sectors outperforming. In the US, the Utility sector fared best, with the Energy sector trailing.

The Equity Market Neutral portfolio registered positive returns with all three main clusters ending either flat or better. Across the entire book, the Technology sector fared best – supported by outperformance from long exposures in a handful of idiosyncratic rallies. Meanwhile the Energy sector fared worst.



Risk Premia: +0.32%

## Universal Carry: +0.17%

The Universal Carry strategy delivered positive returns, with the majority of asset classes delivering mostly flat or better performance. At month-end, the strategy retains its net long Bonds and Short Term Interest Rates position. The strategy also maintains its net long Credit and Equity Indices exposure. Meanwhile, the dollar position has moved from a net long, to net short position.

The strategy's net long Bond exposure fared best, notably long exposure on the Korean curve, especially on the Korean 3-year, as Korean bonds fell in unison with most major developed economies. A short position in the Buxl, however, dragged on performance – the German 5-year having fallen 8 basis points by month-end.

However, long exposure to Equity Indices dragged on overall performance in this strategy, as global stocks fell. Long exposure to the Hang Seng was the worst performing position, the index crashing 6.8% in USD terms, with some key constituents, especially HSBC Holdings (slumping to its lowest level in more than a decade), dragging on the overall index.

## Short Volatility: +0.16%

The Short Volatility strategy delivered positive returns. Delta hedged options in all asset classes made modest gains. Implied volatility in equity markets moved largely sideways, bar a brief spike during the first week tech slump. Implied volatility has remained elevated, especially for those periods just before and after the US elections, as the VIX volatility curve has moved into a distinct concave-shape. While delta hedged options on most equity indices performed modestly, it was on the Eurostoxx that they performed best.

A similar pattern was observed in FX. Delta hedged options in FX delivered slightly better than flat returns, with 1-month at-the-money implied volatility on most currency pairs moving sideways. The exception being a slight pick-up mid-month when investors sought out Japanese yen as a safe-haven trade, with implied volatility on the yen-dollar pair that ticked-up slightly.



Universal Value: -0.53%

The Universal Value strategy ended in negative territory. 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 is slightly short.

Net short Equity Indices exposure delivered positive returns in September as global stocks sank. A short position in the mini-Nasdaq was the best performer, as the tech index fell from recent highs.

The biggest losses were, however, booked in the Interest Rates asset class. A net short exposure in Bonds dragged most as global yields rose, with a short position in the Buxl the worst.