



INSIGHT.DATA.CLARITY.

CFM ISDiversified Trust

Quantitative Investment Solutions
October 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.

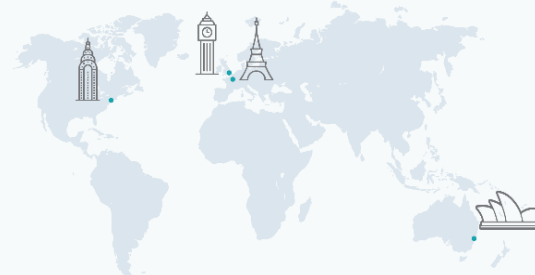
Key facts

A\$80633	Unit Price
-0.23%	October ROR
-17.24%	Year to date ROR
A\$54m	FUM ISD Trust {1}
US\$177m	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

CFM overview



QUANTITATIVE SYSTEMATIC ASSET MANAGER

FOUNDED IN 1991



OFFICES IN PARIS | LONDON | NEW YORK | SYDNEY



AUM ACROSS ALL PROGRAMS US\$6.8 BILLION

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	-0.23			-17.24

Performance figures (%) (net)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	-0.51	-2.23	-17.24	-19.33	-8.56	-8.07	-4.21
Offshore strategy in USD [2]	-1.53	-3.10	-17.71	-19.00	-8.43	-8.34	-0.59

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 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

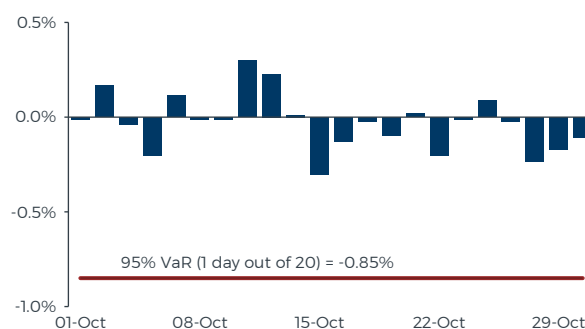
Risk Management

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)

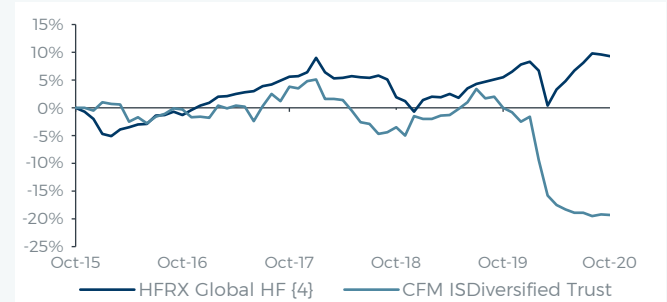


Unless otherwise specified, all monthly performance figures are based on the official NAV of CFM ISDiversified Trust. Returns are net of management and incentive fees.

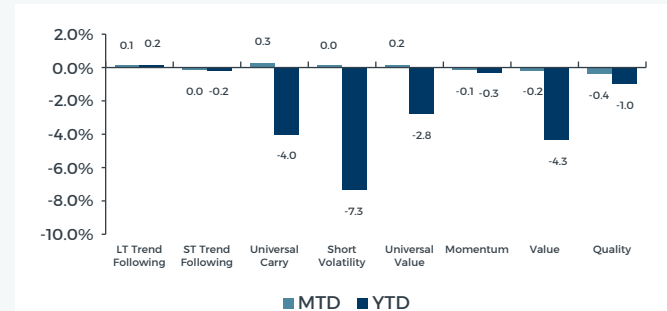
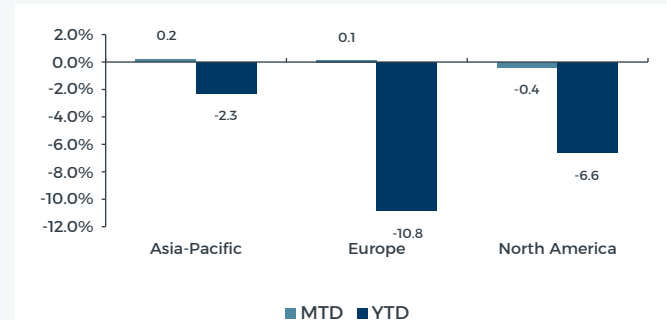
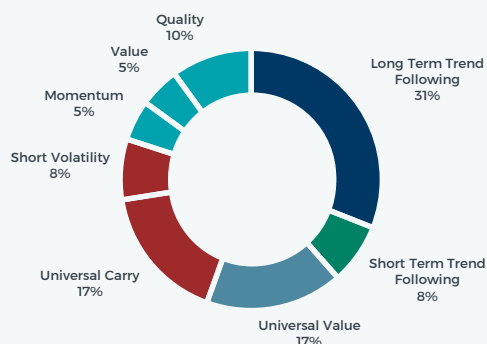
PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS. THERE IS RISK OF LOSS WHEN INVESTING IN A MANAGED ACCOUNT OR A FUND. RETURNS PRESENTED IN THIS DOCUMENT ARE UNAUDITED. ALL OPINIONS AND ESTIMATES INCLUDED IN THIS DOCUMENT CONSTITUTE JUDGMENTS OF CFM AS AT THE DATE OF THIS DOCUMENT AND ARE SUBJECT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

Performance analysis (net)

	Since Inception	Last 12 months
Total Cumulative Return	-19.3%	-19.3%
Annualized Rate of Return	-4.2%	-19.3%
% of Positive Months	41.7%	16.7%
Best Month	3.7%	0.9%
Worst Month	-7.9%	-7.9%
Peak to Valley Drawdown	-23.4%	-19.5%
Annualized Standard Deviation	6.8%	9.7%
Sharpe Ratio	-	-
Correlation {3} between ISD and		
HFRX Global HF {4}	0.29	0.40
Barclays Global-Agg {5}	0.06	-0.07
MSCI World Index {6}	0.28	0.42

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

Contribution per strategy (gross) {7}

Contribution per geographic zone (gross) {7}

Strategy AUM allocation

For further details

Email us
cfm@cfmaltbeta.com.au

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.

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

This document is issued by Capital Fund Management LLP (CFM LLP) in relation to the CFM Institutional Systematic Diversified Trust (the Fund). Pursuant to ASIC Class Order 03/1099, CFM LLP, the investment manager of the Fund, is exempt from the requirement to hold an Australian financial services license under the Corporations Act. CFM LLP is regulated by the UK Financial Conduct Authority under the law of England and Wales, which differ from Australian laws. The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235 150 (Perpetual) is the trustee of, and issuer of units in the Fund. The information provided in this document is general information only and does not constitute investment or other advice. The content of this document does not constitute an offer or solicitation to subscribe for units in the Fund or in CFM Institutional Systematic Diversified Fund LP, which is only included in this document for comparison purposes. CFM LLP accepts no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. Any investment decision in connection with the Fund should only be made based on the information contained in the applicable Product Disclosure Statement of the Fund. Unless otherwise indicated, performance figures are net of applicable fees and expenses and presume reinvestment of income. Past performance is not a reliable indicator of future performance. An investment in the Fund carries significant risk of loss. Neither CFM LLP nor Perpetual guarantee repayment of capital or any particular rate of return from the Fund. Neither CFM LLP nor Perpetual give any representation or warranty as to the reliability or accuracy of the information contained in this document. All opinions and estimates included in this document constitute judgments of CFM LLP as at the date of this document and are subject to change without notice.

Key performance figures

Performance

-0.2327% Monthly Return

-17.2406% YTD Return

FUM

A\$54m leveraged FUM / **A\$54m** equity

US\$750m leveraged FUM / **US\$663m** equity

US\$6.8bn leveraged FUM / **US\$5.1bn** 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

- ▶ Markets took their cue predominantly from news and expectations about the upcoming US elections; uncertainty about Brexit negotiations, and the extent and probable effects of repeat Covid-related European lockdowns.
- ▶ Risk assets showed disparate returns across regions. European (Stoxx 600: -5.7%) and US large cap (S&P 500: -2.7%) equities had their worst month since March, while Emerging markets fared better and delivered positive returns on aggregate. The Hang Seng and Shanghai CSI gained +2.7% and 3.9% in US dollar terms respectively.
- ▶ Technology stocks had a particularly tough month, with the Nasdaq slipping 3.2% - its second consecutive negative month.
- ▶ Meanwhile, US Treasury yields coursed higher despite the equity sell-off: the US 10-year benchmark rose 19 basis points, ending the period at 0.87% - the highest level since June. Investors were likely positioning for a Democratic victory that should, if party messaging stays consistent, result in a wider U.S. fiscal deficit. Moreover, the bond sell-off was also peddled as investors positioning themselves to avoid any nasty surprises amidst the high level of uncertainty and strife in relation to the election.
- ▶ The US dollar steadied, gaining 0.16% against a basket of major G-10 currencies.
- ▶ Commodities, broadly, made gains: the Bloomberg Commodity Index ended 1.4% higher, but hiding large disparity between individual contracts. Energy lost (with the marked exception of Natural Gas), while many Softs performed well.
- ▶ Implied volatility picked-up towards month-end, with the VIX peaking above 40 points - the highest level since June.



Trends: +0.09%

The Long Term Trend Following program registered marginally better than flat returns. Performance amongst asset classes was mixed, with only Bonds and FX contributing positively.

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

Risk assets sold-off, with US, and especially European large cap indices, registering losses, many having their worst month since the March Covid-induced sell-off. Emerging markets (particularly Asian bourses), and smaller cap stocks, however, performed better - registering low, single-digit gains.

The strategy's net long exposure to Equity Indices ended marginally lower than flat, with significant negative returns from key US and European indices where the strategy held long exposure. Technology stocks ended the period as the worst performers (the S&P 500 Information Technology sector trailing all others, down 5.2%). Technology stocks have been coming off recent highs, possibly owing to profit taking; concerns over rising Covid cases in the US and especially Europe; and some investor liquidation before what is believed to be a choppy trading sessions going into the US elections. A long position in the mini-Nasdaq was the worst performer for the strategy, as the Nasdaq TR Index slipped 3.2%. European stocks also hurt as new lockdown measures were rolled out across the continent. The Ibx lost 4.6% (in US dollar terms), with the strategy's short position in the Spanish benchmark booking the most gains on this position within Equity Indices. 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 slightly better than flat.

Benchmark yields on G7 economies saw contrasting movements. The US curve, for one, saw a distinct upwards and steepening shift. The yield on US 10-year and 30-year Treasuries rose 19 and 21 basis points respectively. Despite equities selling off, the simultaneous drop in bonds was, it is broadly understood, on account of investors having cautiously positioned themselves for the US Presidential election on 3 November, owing to the high levels of uncertainty about the outcome and or the challenging of the result. Short positions in the longer-dated end of the US curve as such made some of the best gains. The strategy's short T-Bond exposure was best.

However, a short position in the German Bund was the worst performer. The German curve moved lower, with benchmark 10-year bonds ending 10 basis points lower by month-end.

Net long positioning in Short Term Interest Rates (STIRS) ended flat, as most global short rates moved either sideways or slightly lower. Long exposure in the Australian 90-day Bank Bill rate fared best, while long exposure in the Eurodollar detracted.

FX

FX delivered slightly positive returns, with net long dollar exposure in the strategy benefitting from the greenback making modest gains during the month – the DXY Dollar Index rose just short of 20 basis points.

The strategy's long exposure to the Swedish krone, however, contributed strongly and was the best performing FX trade this month. The US dollar lost 0.7% against the krone following a string of positive economic prints from Sweden. PMI, house prices, and retail sales all beat expectations, with the less restrictive lock-down policies in the Nordic state proving to be advantageous for its economy. Long exposure to the Swiss franc also contributed positively, the greenback losing 0.4% as the franc made most of its gains during the last week as growing expectations of a Democratic victory undermined demand for the greenback, but investors still looking for a safe-haven play.

A long New Zealand dollar, however, acted as the main detractor, having fallen against the US dollar.



Short Term Trend Following: -0.02%

The Short Term Trend sleeve delivered negative returns. Bonds were responsible for the majority of the losses, as long exposure in this asset class detracted as yields jumped. Long exposure in the US 10-year fared worst.



Equity Market Neutral: -0.64%

- ▶ Momentum: -0.05%
- ▶ Value: -0.19%
- ▶ Quality: -0.40%

There was a divergence between regional equity performance, as well as between large and smaller cap stocks. While US large caps struggled (S&P500 TR Index ended down 2.7%), the Russell 2000 TR Index gained 2.1%. The Information Technology sector fared worst in the S&P500, while the defensive Utility sector outperformed.

The Equity Market Neutral portfolio registered negative returns with all three main clusters ending in the red. Across the entire book, all regions were down except the marginally better than flat returns registered in the Asia-Pacific region. The Technology sector fared best while the Consumer, Non-Cyclical sector fared worst.



Risk Premia: +0.32%

Universal Carry: +0.28%

The Universal Carry strategy delivered slightly better than flat returns, with mixed performance amongst asset classes. Positioning in FX fared best.

At month-end, the strategy retains its net long Bonds, Short Term Interest Rates, Credit and Equity Indices exposure. Meanwhile, the strategy has moved from a net short, to a net long dollar position

An aggregated long position in the US dollar delivered the best returns, with positioning in both minor and major currency pairs realising gains. A long position, however, in the Korean won was the best performer in the asset class. The won – one of the best performing Asian currencies this year – gained 2.5% against the greenback this month. The won is looking more attractive on account of, amongst others, the increased gap between South Korean and US real interest rates.

The strategy's net long Bond exposure was the worst performer, in large part owing to long exposure on the US curve. Yields on US Treasuries lifted, with the yield curve steepening. Common agreement points to investors positioning themselves for a Biden victory, and, perhaps a Democratic Senate majority, which is likely to involve higher government spending and, in turn, additional firepower for higher inflation. Long positioning in the US 10-year contract detracted most, as the yield of the US benchmark jumped 19 basis points.

Short Volatility: +0.04%

The Short Volatility strategy delivered positive returns. Delta hedged options in all asset classes made modest gains, or were at worst flat.

Implied volatility in equity markets moved, for the large majority of the period, sideways. Implied volatility did, however, pick-up towards month-end and reached a high of above 40 points on October 28, as Covid cases rose in the US and especially in Europe. The approaching US election and the uncertainty about the outcome also added to investors' unease. Delta hedged options on most equity indices performed modestly well, but it was on the Dax and mini-S&P that they performed best.

Delta hedged options in FX delivered slightly better than flat returns (the best performing asset class this period), with 1-month at-the-money implied volatility on most currency pairs moving sideways. A slight pick-up was observed towards the end of the month, when investors sought out safe-haven assets. The implied volatility on the yen-dollar pair ticked-up most.

**Universal Value: +0.16%**

The Universal Value strategy ended slightly better than flat.

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

The biggest gains were realised in the Interest Rates asset class and Equity Indices. A net short exposure in Bonds contributed most as US yields rose, with a short position in the US T-Bond faring best. Short rates, however, detracted, as a long Eurodollar position realised some losses. In Equities, short exposure to the mini-Dow Jones contract fared best.