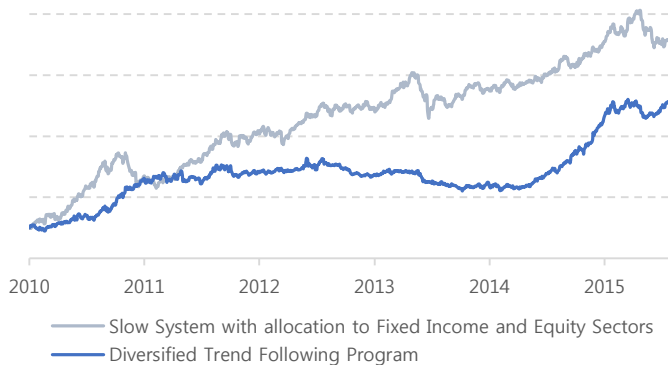


ISAM Systematic Trend finished the month of August with an estimated loss of -1.38% bringing year-to-date performance to 5.15%.

In the [June and July newsletters](#), we introduced a Driftless data environment, allowing us to study the implications of various parameter choices across different data sets.

Figure 1: NAVs of two representative Trend Following systems⁵



In this newsletter we complete this discussion by taking a look at some realistic return streams which display the risks of narrow parameter choices. Figure 1 compares representative results from a “Slow” and a “Diversified” system, over a period of time post the Global Financial Crisis. The “Slow” system uses a representative set of parameters with significant bias towards slow speeds and towards the Financial sector. The “Diversified” system uses a representative set of parameters with balanced allocations to speeds and sectors/markets. We can clearly observe that Slow systems which have high allocations to both Fixed Income and Equity markets outperformed, or put less subtly, buying and holding a traditional portfolio outperformed.

Figure 2: NAVs of two representative Trend Following systems in a Driftless environment⁵



The inherent risks of trading such a portfolio that allocates in this narrow fashion can be evidenced by analysing the period in a

Driftless environment, displayed in Figure 2. This shows how the lack of diversification of both speeds and markets could potentially lead to mediocre results.

In the Driftless environment, the Slow system greatly underperforms as the narrow range of allocations and specific parameters were not perfectly suited to the environment, whereas the Diversified system effectively weathers the challenging period. The importance of being diversified cannot be overstated, especially given the inherent difficulty of predicting market direction. The evidence goes some way to showing the difficulty, and more importantly the risk, of allocating to a tighter set of markets and parameters as well as the dangers of maintaining a long bias (via slow speeds).

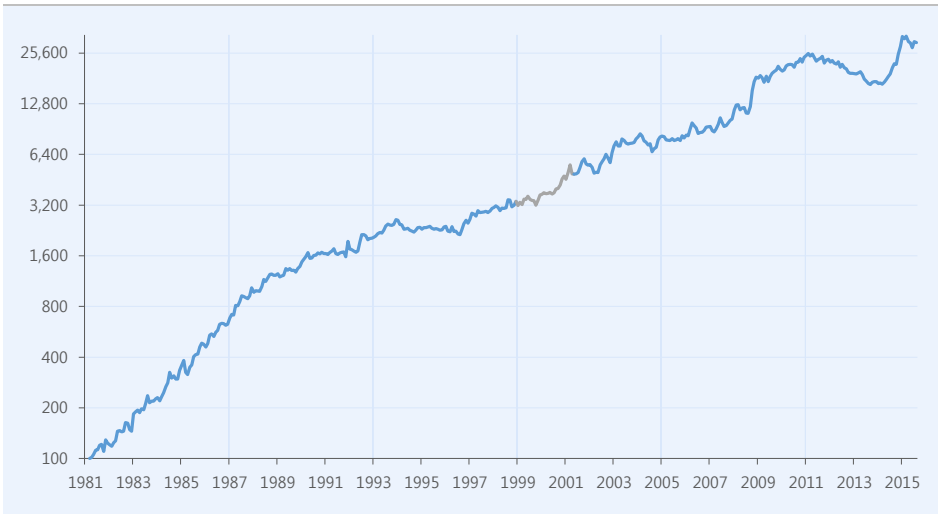
In light of the recent market volatility, it seems an opportune moment to note the general tendency of trend systems in order to perform better in higher volatility environments. Table 1 displays the performance of the Newedge Trend Index during periods where the VIX is signifying a high/low volatility environment (above/below historical averages). Although the relationship is not exceedingly strong, as trend strategies typically size positions to prevailing market volatility and could perform just as well when the VIX is low, there is a general tendency to have stronger trends in higher volatility environments.

Table 1: Newedge Trend Index returns during periods of high and low volatility as signified by the VIX⁵

	High Volatility	Low Volatility
Annualised Return	11.03	4.84

While the program gave back some of the early-month gains during a period of strong reversals over the last few days of the month, we maintained a valuable portfolio benefit throughout the month. The correlation of daily returns during the month to the SPX and to the MSCI was -0.45 and -0.57 respectively, displaying the prospective high diversification benefit and crisis alpha potential had the mainstream equities markets continued their downdraft. The purity of ISAM Systematic Trend, the symmetric nature of taking long/short signals, and the breadth of speeds traded enabled the strategy to react fairly quickly to prevailing market moves allowing us to provide high levels of diversification to equity dependent portfolios.

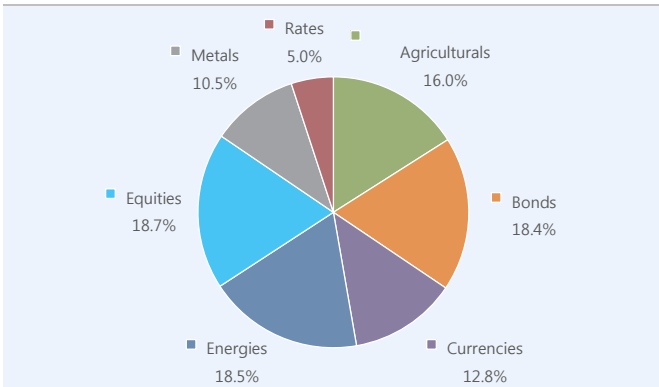
Performance Chart ^{1, 4}



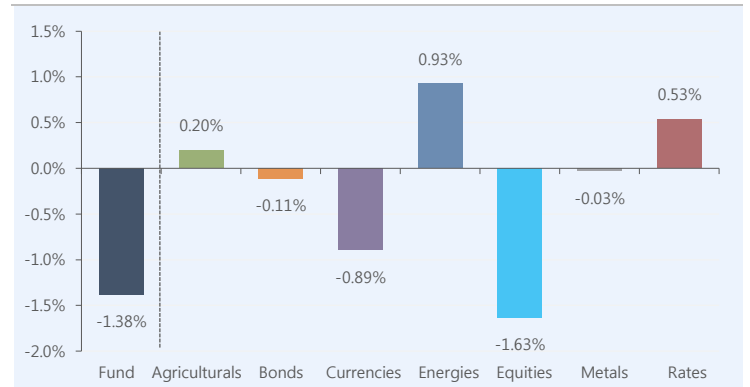
Net Estimate Performance Statistics ^{1, 4}

ISAM Systematic Trend	
Last Month	-1.38% ^e
Year to Date	5.15% ^e
CARR	17.97% ^e
Annualized Volatility	18.83% ^e
Sharpe Ratio	0.95
Sortino Ratio	1.95
Correlation to Equities	-0.11
Correlation to Bonds	0.16

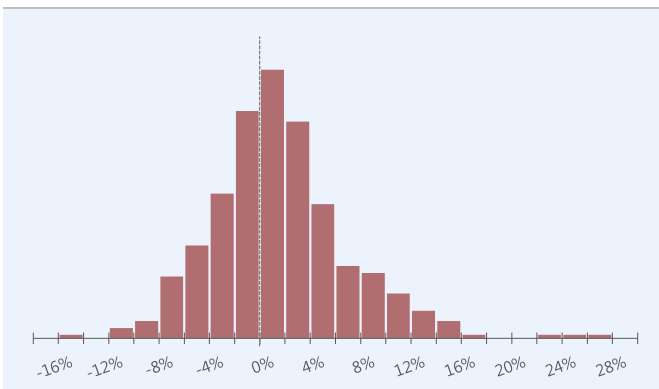
Long Term Risk Allocations ⁴



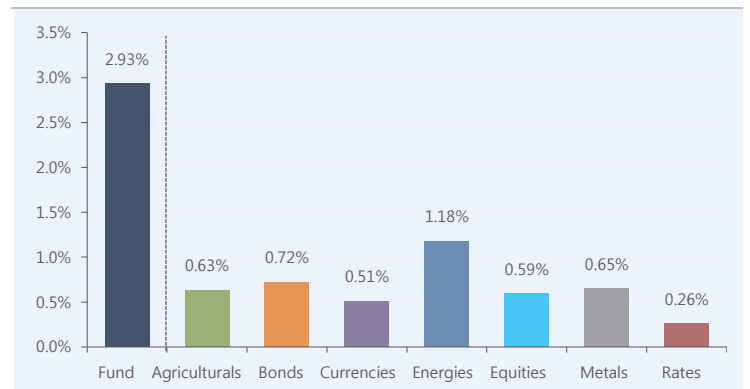
Contribution by Sector ^{2, 4}



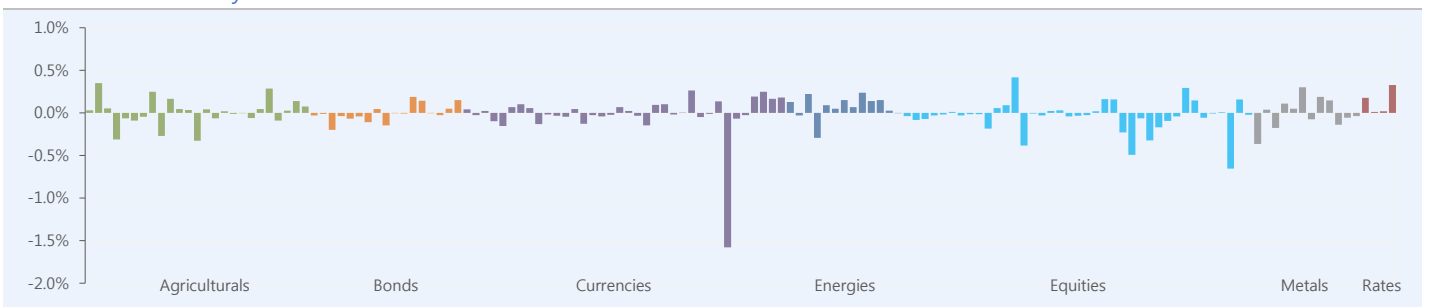
Distribution of Net Returns ^{1, 4}



Value at Risk: Fund and Sector ^{3, 4}



Gross Contribution by Market ^{2, 4}



Historical Track Record ISAM Systematic Trend Class Q ^{1, 4}

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2001	/	/	/	/	/	0.43	1.72	7.18	8.37	4.26	-6.84	-1.81	13.16
2002	0.96	-3.84	-7.75	1.47	-0.37	10.72	4.65	4.01	6.53	-5.88	-5.54	14.80	18.64
2003	9.78	5.56	-5.56	0.14	10.16	-2.17	-3.65	-1.02	0.87	0.50	0.70	4.78	20.48
2004	2.73	4.40	-2.91	-6.16	-1.78	-4.17	2.11	-10.51	3.94	2.43	10.28	4.18	2.80
2005	1.30	-0.96	-4.04	-0.64	-0.30	2.59	-2.76	0.99	2.00	-2.87	6.80	-2.81	-1.19
2006	3.86	-0.92	9.51	9.08	-3.81	-3.42	-6.99	1.48	0.26	2.50	4.84	0.28	16.45
2007	0.43	-5.71	-1.42	3.98	6.61	9.05	-6.15	-5.23	1.56	3.57	3.45	1.50	10.85
2008	13.85	6.90	0.17	-6.55	2.63	0.43	-7.27	-0.54	9.63	24.70	13.16	6.11	77.78
2009	-1.25	3.48	-3.03	-5.90	8.54	-7.08	7.39	4.40	2.71	1.60	5.29	-3.77	11.48
2010	-2.48	1.63	5.50	1.85	0.30	-0.44	-3.49	6.80	0.42	4.98	-4.65	6.82	17.69
2011	2.78	2.67	-3.73	2.81	-4.74	-4.80	2.54	1.49	2.70	-8.79	4.11	1.18	-2.74
2012	-3.64	1.92	-3.10	-1.44	3.01	-7.30	4.12	-4.68	-1.24	-4.80	-1.11	-0.14	-17.46
2013	-0.20	-0.44	1.11	1.92	-3.98	-5.94	-2.65	-3.28	-1.55	3.33	0.81	0.05	-10.67
2014	-2.50	0.54	-1.54	2.96	3.89	3.97	3.64	9.06	5.47	-0.89	14.48	11.55	61.95
2015	14.50	-3.13	3.80	-7.19	-1.90	-6.51	8.80	-1.38 ^e					5.15 ^e

Key Facts

Inception Date:	3 May 2010 (ISAM Systematic Trend)
Share Classes:	USD & USD Onshore
Fund Type:	Open Ended Cayman Incorporated Master/Feeder
Minimum Investment	\$1,000,000
Subscription:	Monthly
Redemption:	Monthly (14 Day Notice)
Bloomberg Ticker:	ISSYSCQ KY
ISIN:	KYG495191879
Administrator:	Northern Trust International Fund Admin Services
Auditor:	Deloitte & Touche

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Report Notes

1. The track record reflects returns generated by ISAM Systematic trading from May 2010 and from June 2001 to May 2010, as it was managed by Hite Capital Management. The system originally operated as Mint Investment Management from April 1981 to December 1998. The period from January 1999 to May 2001 covers the set up of the Hite capital management family office during which the system was not trading and therefore these results are based on simulated or hypothetical performance results that have certain inherent limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Also, because these trades have not actually been executed, these results may have under-or-over compensated for the impact, if any, of certain market factors, such as lack of liquidity and financial risk in actual trading. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to these being shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. No hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which may also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which may adversely affect actual trading results. Performance is net of fees and is not a composite. Equities: represented by MSCI World (Bloomberg: MXWO Index). Bonds: represented by JPM Global Aggregate Bond Index (Bloomberg: JGAGGUSD Index); Correlations are calculated over the maximum pairwise date range. January 2015 returns and all returns following January 2015 are representative of ISAM Systematic Trend Class Q, returns prior to January 2015 are representative of ISAM Systematic Class A; the difference in the fee structure is that Class Q performance fees are quarterly while Class A was based on annual performance fees.
2. Market and sector returns are gross of fees and commissions and fund returns are net; all relate to the calendar month at the top of the report.
3. Value at Risk: derived using a parametric approach, at the 95% confidence level, with a one day time horizon. Note that the sector VaRs do not sum to the fund VaR; the calculation recognizes the diversification within sectors but not between sectors. Calculations are based on a portfolio snapshot at the end of the calendar month at the top of the report.
4. Source: ISAM database
5. Source: ISAM database and Bloomberg
- e. Denotes estimate

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