CCM Systematic Macro Plus Fund

This report has been prepared for financial advisers and wholesale clients only

Favourable

November 2024

INTRODUCTION

Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

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Currency of Reports

This Research Report is current as at the date on the report until it is replaced, updated or withdrawn. SQM Research reports are generally valid for a term of approximately 12 months but may be replaced, withdrawn or changed at any time as judged appropriate by SQM Research.

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This general advice will not take into account you, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situations or needs.

Report Date: 22 November 2024

Star Rating**	Description	Definition	
4½ stars and above	*Outstanding*	***Highly suitable for inclusion on APLs*** *SQM Research believes the Fund has substantial potential to outperform over the medium-to-long term. Past returns have typically been very strong. Product disclosure statement (PDS) compliance processes are high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.*	*Highest Investment Grade*
4¼ stars	*Superior*	***Suitable for inclusion on most APLs*** *SQM Research considers the Fund has considerable potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.*	*High Investment Grade*
4 stars	*Superior*	***Suitable for inclusion on most APLs*** *In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no material governance concerns. Management is of a high calibre.*	*High Investment Grade*
*3¾ stars**	*Favourable*	***Consider for APL inclusion*** *SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers.*	*Investment Grade*
*3½ stars**	*Acceptable*	***Consider for APL inclusion*** *In SQM Research's view, the potential for future outperformance in the medium-to-long term is uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/ product may have higher risks attached compared to peers. SQM Research has identified material weaknesses which need addressing in order to improve confidence in the Manager. There might be some corporate governance concerns.*	*Low Investment Grade*
3¼ stars	*Caution Required*	***Not suitable for most APLs*** *In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potentially substandard. There might be material corporate governance concerns. Management quality is not of investment-grade standard.*	
3 stars	*Strong Caution Required*	***Not suitable for APL inclusion*** *In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There could be material corporate governance concerns. SQM Research has a number of concerns regarding management.*	
Below 3 stars	*Avoid or Redeem*	***Not suitable for APL inclusion*** *SQM Research has multiple material concerns surrounding the Fund.*	

Event-driven Rating	Definition
Withdrawn	*The rating is no longer applicable. Significant issues have arisen since the last report was issued, and investors should avoid or redeem units in the fund. The manager, after agreeing to be reviewed, has pulled out of the process and/or has not responded to our questionnaire.*
Hold	*Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks. Dealer groups should not be making further investments into this fund until SQM has completed its additional investigations.*

* *It is strongly recommended advisers conduct additional due diligence over and above base requirements when considering such rated funds.*

** *The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.*

CONTENTS

SQM Rating ★★★★½

Favourable. Consider for APL inclusion.

Fund Description	
Fund Name	CCM Systematic Macro Plus Fund
APIR code	KAM7657AU
Asset Class	Alternatives (Managed Futures/CTA)
Management and Service Providers	
Fund Manager	Cartwright Capital Management
Trustee	K2 Asset Management
Fund Information	
Fund Inception Date	09-May-2023
Fund Size	$4,200,000
Return Objective (per PDS/IM)	The Fund aims to generate long-term uncorrelated returns in excess of the benchmark risk-free rate after fees
Internal Return Objective	Over 20%
Risk Level (per PDS/IM)	High
Internal Risk Objective	20-25% p.a.
Benchmark*	RBA Total Return Index
Number of stocks/futures positions	Up to 156
Fund Leverage	4 times the Gross Asset Value of the Fund
Portfolio Turnover	200 Round Turns per million per year
Top 10 Holdings Weight	-
Investor Information	
Management Fee	1.31% (exclusive of GST)
TCR (Total Cost Ratio)	5.6% p.a. (Please refer to the fee section & the IM)
Buy Spread	0.10%
Sell Spread	0.10%
Performance Fee Rate	15% of returns over the RBA Total Return Index (with a high-water mark)
Minimum Application**	$250,000
Redemption Policy	Monthly
Distribution Frequency	Annually
Investment Horizon	3-5 years
Currency Hedging Policy	All foreign currency cash flows are fully hedged into AUD

** The benchmark stated in the IM is the RBA Total Return Index. However, in this report, SQM Research has used the Barclays CTA Index as a 'Reference Index' for performance comparison purposes only.*

*** Minimum applications can be negotiated with trustee approval*

Fund Summary

Description

The **CCM Systematic Macro Plus Fund** (the **"Fund"**) is operating as a hedge fund aiming to generate absolute returns on a long-term basis by investing in exchange-traded futures contracts and individual stocks within the ASX200 and S&P500 indices. The Fund is entirely systematic, utilising different strategies incorporating statistical and mathematical techniques to identify patterns and trends, allowing it to capitalise on outlier price movements and core economic growth. This strategy provides exposure to various futures instruments, including equity indices, bonds, interest rates, currencies, and commodities. It is driven by a thorough portfolio construction and risk management approach, which should deliver investors a liquid alternative investment that remains uncorrelated with equity or bond indices over the long term.

The Fund's investment style can be described as a **systematic**, **global macro trend following** strategy that identifies the market direction, enters a trade in line with the trend, and holds it until signs of a reversal appear. Through a unique combination of portfolio construction and positive & negative skew strategies, the Fund should maintain a smooth and **uncorrelated return profile** with a higher risk tolerance level via its leverage calibration. The strategic use of futures instruments should allow for the deployment of excess capital in a complementary cash equity trend-following system, further enhancing returns. By amalgamating this instrument and strategy diversification, the Fund aims to **target returns** of **25-30%** p.a. over a 3-5 year period within an anticipated **20-25% p.a. volatility** framework and a **35% potential maximum drawdown** estimate.

The Fund is structured as an open-ended, unlisted, registered managed investment scheme. Available to Wholesale Investors only.

Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
3.75 stars	Favourable	Consider for APL inclusion	Investment Grade

Inaugural Review

SQM Research's Review & Key Observations

About the Manager

Cartwright Capital Management is a proprietary limited company operating as a hedge fund in Australia. It was established on 7th July 2022 by Troy Hamblion and Nicolas Hernout. It is 50% owned by Hamblini Enterprises Pty Ltd and 50% by 2NH Pty Ltd. Hamblini Enterprises Pty Ltd. It is wholly owned by Troy Hamblion and Helen Hamblion, while Nicolas Hernout and Natasha Hernout wholly own 2NH Pty Ltd. The company initially served as an investment vehicle designed to invest in a managed futures strategy for the owners. Upon creating a unit trust fund on 9th May 2023, Cartwright Capital Management Pty Ltd transitioned to function solely as the investment management vehicle for the CCM Systematic Macro Plus Fund.

The Funds Under Management (FUM) are relatively low, approximately **$4 million,** which has been increasing slowly but steadily, primarily through HNWIs and associates. The **top 10 clients** represent **91%** of the FUM, with 50% provided by the investment management team of Cartwright Capital Management, reflecting a significant alignment of interest in the risk and return profile. The Investment Manager targets high-net-worth individuals, family offices, and multi-manager hedge fund platforms for SMA trading. The Manager is also actively collaborating with financial advisers and asset consultants to include the Fund in alternative portfolios via different platforms and seek General Partner Investment Management Groups for deeper investor access.

Investment Team

Cartwright Capital Management Ltd is led by its two co-founders and managing directors, **Troy Hamblion** and **Nicolas Hernout**. CCM does not have any dedicated analysts. The strategy is fully systematic, based on pre-developed statistical and mathematical patterns encountered in the financial markets. It has been developed and is maintained by the current investment management team and does not require macro analysts. The Trading Blox Coding Consultant was engaged under a consultancy agreement to assist the investment team in developing the code driving the systematic process. The investment managers were then able to amalgamate the coding of the different trading techniques and optimise the portfolio construction methods to identify the unique process now utilised.

Operations Team

Cartwright Capital Management has recently onboarded James Jennings (COO). James will be instrumental in the consolidation of the service providers within the Prime Brokerage world as well as provide an avenue into Prime Brokerage distribution services. The business development strategy also outlines the path for a CEO within the organisation to assist in institutionalising the business and execute the current marketing strategy to increase the Funds Under Management.

SQM Research views the key person risk as being 'Moderate/High'; given the fully systematic nature of the strategy, the rules-based system and completely automated trading process mitigate this risk to some extent.

1. Investment Philosophy and Process

Investable Universe

The Fund's investment universe provides access to over 100 of the most liquid global, financial, equity, currency, and commodity futures. It may also trade other over-the-counter derivative contracts. The Fund also trades a diversified long-only portfolio of ASX200 and S&P500 cash equity securities along with ETFs and unlisted unit trusts for excess AUD cash investment.

Philosophy / Process / Style

The Fund's primary focus is to harvest **time-series momentum** from a range of futures instruments rather than equities alone and implements a systematic, rule-based trading strategy. This strategy aims to generate alpha from trend following across major asset classes, including interest rates, equities, currencies, and commodities. By employing this strategy, the Manager aims to hunt for an **outlier movement** in the price of an asset class or instrument that falls outside the normal distribution of returns. Therefore, all the decisions regarding the investment process are made to maximise the Fund's ability to be exposed to outlier events.

The strategy style can be described as a **systematic**, **global macro**, **trend-following strategy**. This style identifies the market direction, enters a trade in line with the trend, and holds it until signs of a reversal appear. This approach ensures that trades are made based on the prevailing trend, allowing for potential gains during sustained market movements in any asset class. This strategy comprises two key components: the underlying diversified investment portfolio referred to as ***'Phoenix Portfolio'*** by the Manager and a **trend following** overlay.

2. Performance & Risk

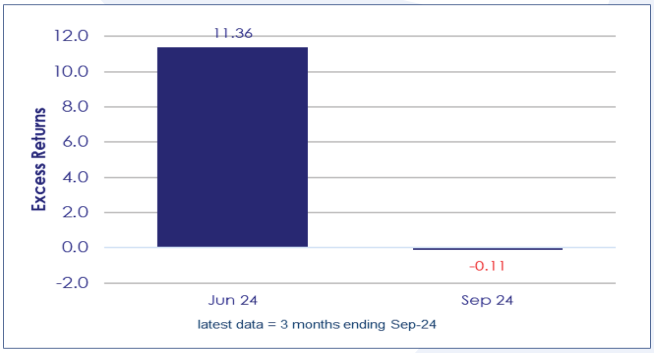
Return Objective

The return objective stated in the IM is: "The Fund aims to generate long-term uncorrelated returns in excess of the benchmark risk-free rate after fees".

The Fund's benchmark, as stated in the IM, is the **RBA Total Return Index**. However, it should be noted that SQM Research has used the **Barclays CTA Index** as a *'Reference Index'* in this report for performance comparison purposes only.

The Fund's IM does not state any risk and internal return objective.

Fund Excess Returns %: Half-yearly (net of fees)



Length of Track Record

The CCM Systematic Macro Plus Fund has a relatively short history of **1.3 years**. Observations and analysis of returns will have very little statistical meaning. SQM Research notes that returns, volatility, and other risk measures can be "noisy" and less reliable when quantified using a small sample size of observations.

Fund Performance to 30 September 2024 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	2.13	-3.04	-9.38	9.79	.	.	5.30
Reference Index	1.24	-2.93	-0.17	4.34	.	.	4.57
Peer Average	0.58	-7.18	-9.51	-4.49	.	.	0.36
Alpha	0.89	-0.11	-9.21	5.46	.	.	0.74

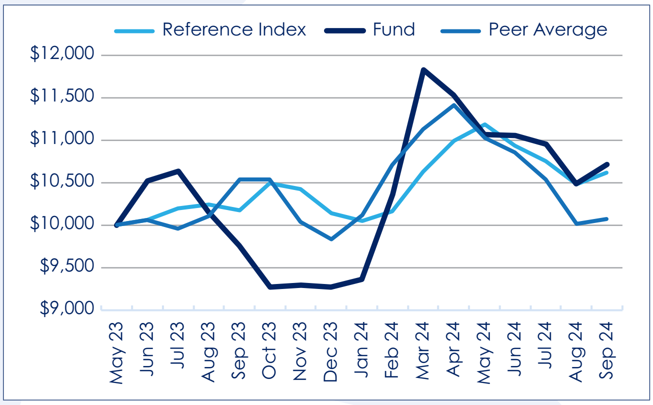
With distributions reinvested. Returns beyond one year are annualised. Return history starts Jun-2023
Reference Index: **Barclays CTA Index**

Fund Performance to 30 September 2024 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	2.13	-3.04	-9.38	9.79	.	.	5.30
Benchmark	0.36	1.12	2.24	4.49	.	.	4.43
Peer Average	0.58	-7.18	-9.51	-4.49	.	.	0.36
Alpha	1.77	-4.16	-11.62	5.30	.	.	0.87

With distributions reinvested. Returns beyond one year are annualised. Return history starts Jun-2023
Benchmark: **RBA Cash Rate**

(Please note: SQM Research has used the Barclays CTA Index as a 'Reference Index' for performance comparison in the rest of the report. Also, note that the Fund has a relatively short operating history; hence, performance could be noisy, and any inference based on that could be immaterial or less reliable).

Growth of $10,000



Strengths

- The co-portfolio managers are highly experienced (30 years each). They have worked together since 2009 in managing large portfolios of risk and engaged in proprietary trading functions within the institutional banking environment.
- The investment management team has invested a sizeable portion of their wealth in the Fund, reflecting a significant alignment of interest with that of the investors.
- The Fund makes efficient use of excess cash available due to the lower capital requirements of using futures markets as an investment instrument. The Manager utilises this excess cash by deploying it into **cash equity products** using trend following strategy instead of interest-rate instruments and aims to add **additional returns** to the Fund's return profile.
- The Fund has outperformed the benchmark – Barclays CTA Index (or, in this case, *'Reference Index'*) and its peers on an absolute and risk-adjusted basis (as measured by Sharpe and Information ratios) over a period of the past 12 months and since inception. However, please note that the Sharpe ratio is not preferred as the Fund intends to operate outside the normal distribution.
- The investment management team has identified the market risks of the Fund and implemented a robust risk management strategy and process. This procedure is completely **rules-based** and integrated into the coding of the investment strategy.

Weaknesses

- The Fund's TCR (or Total Cost Ratio) is very high in comparison to its peers. However, it is relatively new and, hence, has a smaller amount of funds under management (FUM). The manager will bring down the fixed cost as a percentage of FUM as the Fund scales and grows. It should be noted the Manager provided every cost in detail and direct comparison to peers may not be precisely comparable.

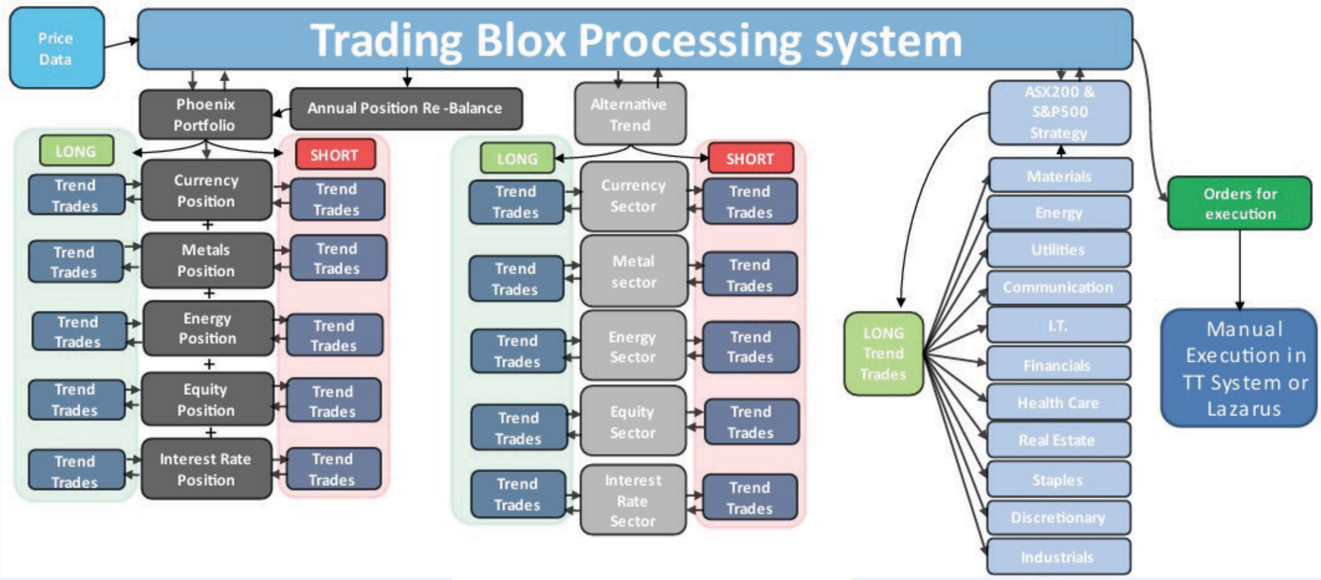
- The Fund is still in its early start-up stage, and as with any new boutique, there is always some element of survival risk inherent in the business. However, the Fund has sufficient capital at this current time (with no additional growth) to see it continue to operate for another three years.
- As with most boutiques, there is a key risk for the two co-portfolio managers. However, they have clearly aligned interests in the success of the Fund, and the Fund employs a rules-based systematic process.

Other Considerations

- Leverage is employed via derivatives. The optimal portfolio leverage was identified as **4x** using 30 years of back-testing data. Investors should be aware that leverage can amplify returns on both the upside and downside. The Fund can be quite volatile, with the Manager estimating volatility (and hence the prospect of returns) higher than a number of other Retail trend following peers (tracking error potentially in the 20 – 25% area). The Manager is comfortable with the higher level of leverage due to its extensive Risk Management techniques
- A trend-following strategy has an inherent risk during **sideways** or **choppy market** movements where trends fail to mature. However, to counteract this, the manager has added a **negative skew** strategy through exposure to an "All Weather" diversified investment portfolio to mitigate poor performance during range-bound markets.
- The Manager is focused on building a strong operational foundation, emphasising institutional-quality processes and governance. The investment team is also trying to expand access to institutional investors through various platforms, with the recent addition to the HUB24 platform.
- Monthly liquidity

This report is an Inaugural Review.

Investment Process Diagram



Process Description

Investment Process	
Research and Portfolio Construction Process	**Idea Generation** The Manager describes the process of idea generation as follows: • The initial idea generation was developed through the investment team's experience in trading various market events over their careers. They have covered a broad range of trading styles, including managing large portfolios of interest rate risk and proprietary trading for global markets divisions. • With the help of a coding consultant, the investment management team combined different components of the previously traded strategy separately. It optimised the portfolio construction methods to identify the unique process now utilised. • Further ideas are progressively generated to reduce the strategy's volatility and maximum drawdown characteristics without sacrificing potential returns. Other characteristics monitored to filter new ideas include average equity drawdown and duration of equity drawdown. • Once an idea is generated, the Investment Manager moves to the coding stage with the assistance of the coding consultant. Once the investment team is satisfied with the new idea through rigorous back-testing on 30 years of data, the modification is implemented into the live model at the next available valuation point.

Investment Process

Research and Portfolio Construction Process

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Screening

- The Fund's primary strategy is to invest in numerous exchange-traded futures instruments, including most liquid global, financial, equity, currency, and commodity futures. The smaller cash equity strategy scans the universe of ASX200 and S&P500 cash equity instruments for the long-only cash equity strategy.
- The Fund has identified a unique universe of futures instruments based on diversification requirements and common country risks within the equity, bond, commodity, and FX categories. The Fund ensures that each instrument meets stringent liquidity criteria based on the open interest and trading volume.
- The cash equity strategy within the Fund is designed to ensure the efficient use of excess cash balances, as it is predominantly a futures-oriented fund, and much of the FUM is available in cash.
- The cash equity strategy scans the universe of ASX200 and S&P500 stocks and applies a relative value filter to each stock within its GICS sector category. A cash equity trade is initiated if the stock meets the trend and breakout criteria levels. It is limited to only **3 stocks** in each of the 11 GICS sectors within the ASX200 and S&P500 and is subject to a much lower risk budget allocation than the primary futures-based risk allocation budgets.

Research

- The daily investment process primarily goes through the three stages as follows:
    - Data Aggregation
    - Portfolio Determination
    - Reconciliation Process
- By introducing a systematic trading process within an investment framework, the Manager has created a strategy that caters to many of the market dynamics. Much of their research and development over the past five years has been derived and redeveloped from several literary sources, including different research articles and reports on hedge funds, systematic trading, trend following, and numerous other related research publications/literature.
- As a systematic fund, the Manager mentions there is no requirement for ongoing external research. However, the team is constantly conducting research within the industry to identify and develop concepts and ideas to incorporate within the Fund. The Manager does not believe in company visits or management meetings, as the strategy is purely systematic and follows a rules-based approach.
- The investment management team partnered with the owner and chief coding consultant at Trading Blox to build a bespoke order generation application based on the ideas and techniques developed over the previous five years of research.

Investment Process

Research and Portfolio Construction Process

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Security Research & Stock Selection

- All research and development ideas are identified and developed to reduce volatility or drawdown gaps in the Fund's return profile. Any potential strategy addition must pass rigorous testing requirements to ensure a successful adoption.
- The limited cash equity security analysis and selection is based on a purely systematic process that includes relative value analysis versus industry sectors and price analysis, which identifies momentum and breakout levels.
- The investment managers are constantly monitoring the performance of the Fund and identifying gaps in the strategy, or "potholes" in the return profile. When a gap or pothole is identified, investment managers strive to devise an idea to counter the negative fund performance.
- As ideas are generated, the investment managers perform rigorous back-testing to ensure the new idea passes specific criteria, including reducing volatility or drawdown expectations or improving specific risk metrics without affecting overall returns.
- Once the project is approved, the new strategy enters a testing phase. After implementing the change, it involves running the model in parallel with the original parameters. By comparing the performance of both versions side-by-side, the team can accurately assess the impact of the modifications.
- This thorough testing process allows the investment managers to identify any improvements or potential issues that the changes may introduce. Additionally, it provides valuable insights into how the adjustments affect the overall strategy, ensuring that the updated model performs optimally before fully integrating it into the operations.
- The investment management team can potentially implement 3-4 ideas per year, although not every idea is implemented. Research projects can be identified, back-tested, and implemented anywhere from 1-3 months.

Portfolio Construction

- The portfolio construction is based on the core philosophies of a diversified investment portfolio with a trend-following overlay, and the variables are hard-coded into the order generation system. The sector risks and trend-following parameters are regularly reviewed via a shadow Excel-based spreadsheet. The Manager describes the different stages of portfolio construction as below:
    - **Stage 1: Identifying Trading Equity** – The first stage involves determining the trading equity within the Fund. The investment managers have integrated a unique feature that calibrates the risk portfolio using the actual equity in the Fund adjusted by the Risk-to-Stop (RTS) value. This method ensures that unrealised profits from existing trades are not used to calculate the size of new futures trade.

Investment Process

Research and Portfolio Construction Process

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- ○ **Stage 2: Diversified Investment Portfolio** – The second stage of portfolio construction involves calculating the size of the diversified investment portfolio, which the investment manager calls a *'Phoenix Portfolio'*. The order generation system allocates **35%** of the trading equity towards this portfolio. Using the notional value of futures instruments, the portfolio is created using the following instruments:
  - Equity futures
  - Bond futures
  - Metals (including precious metals)
  - Energy contracts
  - Long USD position represented by short AUD futures equivalent to 30% of the notional value of the Phoenix Portfolio.

- **Stage 3: Trend-Following Overlay Risk Budgets** – The third stage involves calibrating the risk budgets for the trend-following overlay. The total trend following the risk budget of the Fund is set at **30%** of the FUM, but practically, the applied risk budget is typically around **5% - 15%** of FUM, as not all trend trades are active simultaneously. Each sector's risk budget ensures that a full trend allocation in that sector is at least **2x** the risk of the equivalent sector in the Phoenix Portfolio.

- **Stage 4: Sizing and Execution Rules** – The final stage involves sizing and executing trend-following trades. Systematic filters and prompts are used to identify trend trades, employing technical analysis methods such as MACD and Bollinger Bands to determine if a trend exists. Instruments are categorised as trending higher, trending lower, or not trending. A filter-based breakout level is identified for trending instruments to initiate the position. Once a trade is identified, initial position sizing is based on the instrument's volatility using an ATR calculation, and a stop-loss order is applied.

Sell Discipline

The unique portfolio construction allows for both implicit and explicit position reduction as follows:

1. Each trend trade on a particular instrument has an associated stop-loss that is always active in the market. It ensures that if the model identifies the trend in that instrument is over, it will systematically advise to cut the position. Every initiated trend trade includes an associated stop-loss order to ensure the timely trend position exits.
2. The Phoenix Portfolio employs a distinctive approach to portfolio construction, where risk budgets for potential trend-following trades are set to be at least twice the size of the corresponding asset sector risk. This strategy integrates an implicit stop-loss mechanism. The trend following strategy is effectively the stop loss strategy for each sector within the Phoenix Portfolio. It allows for the minimisation of risk and the potential reversal of long exposure in each asset sector within the Phoenix Portfolio.

Investment Process

Research and Portfolio Construction Process

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Risk Management

The Fund has a robust portfolio construction technique to mitigate various risks and aims to combat any market environment. Furthermore, the extensive risk management policy ensures that market risks remain within the Fund's pre-determined levels. These pre-trade and post-trade market risk policies are outlined as follows:

- Pre-trade market risk is managed and maintained within the Fund's unique portfolio construction process. Risk budgeting and volatility-adjusted position sizing ensure the Fund only initiates a new trade within the defined parameters. Furthermore, once the trade is initiated, it is managed through a live stop-loss order, ensuring the integrity of the risk budgeting framework.
- The trading equity used to position the size of the new trades is only ever calculated using the available capital minus the unrealised profit within the Fund. This also ensures that position sizes will only ever trade using realised equity in a drawdown period and adapt position sizes accordingly. The Fund recalibrates the existing trades monthly relative to this trading equity value, ensuring position sizes remain appropriate relative to the trading equity available.
- The risk to stop value (RtS) monitors post-trade market risk at the instrument and portfolio level. This metric defines the maximum allowable loss for both futures and equity trend-following positions, and it incorporates a customised stop-loss level tailored to each existing trade. Through a 30-year back-test, the investment management team has observed that the aggregated RtS metric can vary from 10% to 60% of the fund's value.
- A strategy is employed to minimise this value within the Fund when an individual RtS approaches a high level relative to its underlying price. In this instance, the strategy systematically engages an accelerated stop-loss process that moves the individual stop-loss order closer to the trading price to account for the unexpected increase in the volatility of that instrument.

While volatility is measured within the Fund, it is not monitored or managed daily as this process was established in the pre-trade calibration of market risk. Extensive back-testing over three decades has shown that the strategy typically operates with around **20-25%** volatility. The maximum drawdown observed through back-testing was **35%**. However, the most significant drawdowns generally occurred after prolonged periods of performance. This pattern is characterised by the accumulation of unrealised P&L as trend-following trades mature, followed by the end of a trend, which can often result in a significant drawdown from a high.

Material Risks

Material risks which are associated with the Fund include:

Active Management Risk: Cartwright Capital Management does not invest in a pre-determined basket of securities, such as an index, but instead selects securities that meet its investment criteria systematically. There is a risk that the Fund may underperform targets and market returns.

Company-Specific Risk: CCM has a small allocation towards cash equities. The value of these investments can vary because of inherent idiosyncratic company risk, and therefore, returns could be affected.

Investment Process

Research and Portfolio Construction Process

...continued

Distribution Risk: The Fund may make regular or irregular distribution payments to unit holders, depending on the realised income the Fund receives from underlying investments. It may impact the value of the Fund and, in addition, the individual unit holder's taxable income.

Fund Risk: As with all managed funds, there are risks particular to the Fund, including that the Fund could be terminated, the fees and expenses could change, or service providers could be changed.

Investment Manager Risk: The skills and performance of CCM as the investment manager can impact the Fund's investment returns. Changes in the key personnel and resources of these entities may also affect the Fund.

Liquidity Risk: The realisation of assets is subject to several factors, such as extreme economic and market conditions. Although the Fund invests in highly liquid futures contracts and listed Australian and U.S. securities, there may be limited times when securities cannot be readily sold.

Please see the IM for a more complete list of Risks

Portfolio Characteristics

Portfolio Biases/Preferences

The primary bias in the model is associated with the existence, persistence, and capturing of a trend in any market sector. The investment management team aims to capture this **momentum factor** of investing through its unique portfolio construction.

The Fund also monitors **open interest** and **trading volumes** of individual futures instruments to ensure liquidity considerations are met. Additionally, the Fund will only trade highly liquid **ASX200** and **S&P500** stocks in the cash equity strategy by applying a **relative value filter** to each stock within its GICS sector category. These stocks must also meet the **$0.20c** price hurdle to ensure sufficient trading and liquidity requirements, and exposure would be limited to only **3** stocks in each of the 11 GICS sectors.

Portfolio Turnover and Active Share

The CCM Systematic Macro Plus Fund is a medium to long-term trend-following investment strategy that uses daily data signals to identify potential trades. The trading frequency is anticipated to be around **three to five trades a day** on average. As reported by the manager, this Fund has an estimated turnover of **200 Round Turns per million per year**, which can increase or decrease relative to the market volatility.

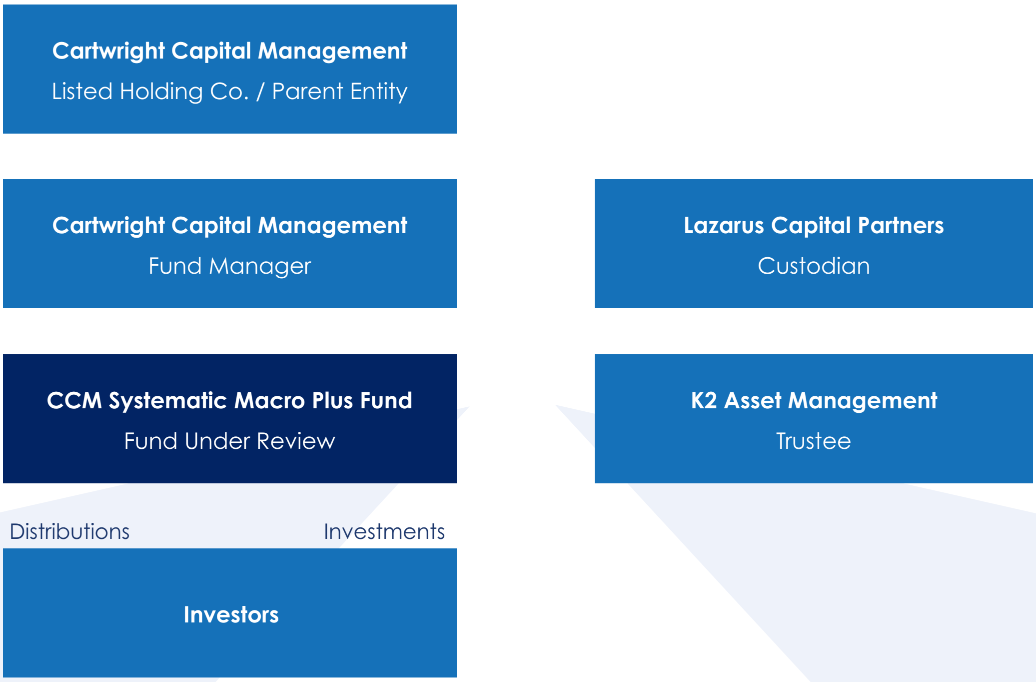
Liquidity

The Fund trades a futures investment universe of around **90** highly liquid exchange-traded contracts. As the Fund grows, liquidity constraints will be placed on 5%-10% of the instruments monitored. By applying a maximum trading size based on each instrument's open interest and trading volume, the Fund will be able to minimise liquidity risks in these instruments as FUM grows.

Investment Process

Research and Portfolio Construction Process *...continued*	**Derivatives & Hedging** Cartwright Capital Management utilises only **exchange-traded derivatives**, including future instruments, and extensive risk management techniques such as risk budgeting and stop order management to mitigate unwanted risks. The cash equity program within the Fund allows for long-only positions in the cash equity instruments it trades. Short positions are allowed and frequently used within the futures instruments trend following strategies. All non-AUD cash flows and cash investments are **fully hedged** into AUD through the Fund's daily cash management and FX hedging process. This ensures there is no currency exposure from non-trading activities. The cash management process does have a small amount of discretion relating to the FX hedging of cash flows as well as the level of cash held for margining requirements and has strict limits. **Leverage** The optimal leverage for the Fund was calibrated using a combination of the **Maximum Drawdown (MDD)** to **Compounded Annual Growth Rate (CAGR)** ratio, otherwise known as the MAR ratio. By optimising the MAR relative to the minimum volatility, the Manager arrived at a volatility range of **20-25% p.a.** and a Maximum Drawdown level of **35%**. **The optimal portfolio leverage was identified as 4x using 30 years of back-testing data. The Fund does not engage in any economic leverage via direct lending.**

Key Counterparties



Parent Company

Cartwright Capital Management Pty Ltd (CCM) was formed in 2022 and is owned 50% by Hamblini Enterprises Pty Ltd, and 50% by 2NH Pty Ltd. Hamblini Enterprises Pty Ltd is wholly owned by Troy Hamblion and Helen Hamblion, while Nicolas Hernout and Natasha Hernout wholly own 2NH Pty Ltd.

Investment Manager / Fund Manager

Troy Hamblion and Nicolas Hernout are the investment managers within Cartwright Capital Management. This team has developed a systematic trend-following managed futures strategy aiming to achieve capital appreciation using several core strategies that display positive and negative skew monthly return distributions. The combination of these strategies aims to provide consistent returns and lower drawdowns over the long term. Both investment managers have worked together since 2009 in an institutional capacity, and the current collaboration is through Cartwright Capital Management.

Governance

Responsible Entity/Trustee

The **Board of Directors** of the Trustee (K2 Asset Management) consists of **5** directors, **1** of whom is independent. SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance and oversight. Board members have an average of **26** years of industry experience.

The Trustee's **Compliance Committee** is composed of **3** members, all of whom are independent. The Chair **is** independent. SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of **27** years of industry experience.

K2 Asset Management Ltd (ABN 95 045 885 094)(AFSL 244393), a subsidiary of K2 Asset Management Holdings Ltd (ABN 59 124 636 782), is a public company listed on the Australian Securities Exchange (ASX: KAM), is the Fund's Trustee and issuer of the Fund's Information Memorandum (IM). K2 was established in Melbourne in 1999 and specialises in managed funds for retail, wholesale and institutional investors. The responsibilities and obligations of the Fund's Trustee are governed by the Fund's constitution ('Constitution'), the Corporations

Act and general trust law. As Trustee, K2 oversees the operation and management of the Fund and is required to act in the best interests of investors.

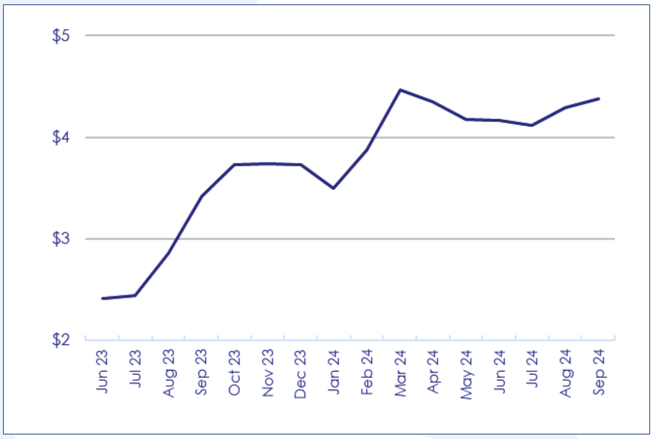
Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

Based on the materials reviewed, SQM Research believes that the Manager and associated key counterparties are appropriately qualified to carry out their assigned responsibilities. Management risk is rated as moderate.

Funds under Management (FUM)

FUM for Fund under Review ($mill)



Distributions

Distributions occur on an annual basis, subject to the availability of distributable income. In a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

Distribution Date	Distribution CPU
Jun-24	3.84

Name	Responsibility / Position	Years at Firm	Years in Industry
Nicolas Hernout	Managing Director	3	30
Troy Hamblion	Managing Director	3	30

Investment Team

Cartwright Capital Management Ltd is led by its two co-founders and managing directors, Troy Hamblion and Nicolas Hernout. As emerging managers, the day-to-day operation of the Fund is carried out by either one or both directors. Both managing directors can perform all the tasks required to operate the Fund, including strategy development and implementation, execution, risk management, middle office reconciliation, compliance and regulatory functions, investor relations, and all tasks involved in managing the technology and financial requirements of the business as well as Fund operations.

Acting as the investment managers for the Fund, this workload is achievable due to their extensive careers performing all these tasks within the institutional banking environment as franchise and proprietary traders, as well as a robust automatization of the Fund maintenance and reconciliation process. The governance structure employed through the trustee K2 Asset Management ensures proper practice regarding all these functions.

The Investment Committee, consisting of the co-founders, has worked closely together since 2009 and is acutely aware of the skills and expertise each individual can contribute to the investment decision-making process. The Investment Committee meets weekly to discuss all facets of the current investment process as well as ideas to optimise and improve the current process.

CCM does not have any dedicated analysts currently but has identified a key Quantitative Analyst who is available to join the firm at some point in its evolution. The strategy is entirely systematic and based on pre-developed statistical and mathematical patterns encountered in the financial market. It has been developed and is maintained by the current investment management team and does not require macro analysts.

The Trading Blox Coding Consultant was engaged under a consultancy agreement to assist the investment team. The business developed the code driving the systematic process and was able to combine the different trading techniques and optimise the portfolio construction methods to identify the unique process now utilised.

The Manager has recently onboarded James Jennings (COO). The business development strategy also outlines a path for a CEO within the organisation to assist in institutionalising the business and execute the current marketing strategy to increase the Funds Under Management.

As with most boutiques, there is a key risk for the two co-portfolio managers. However, they have clearly aligned interests in the success of the Fund, and the Fund employs a rules-based systematic process.

Staffing Changes

There have been no staffing changes since the launch of the Fund.

SQM Research observes that the levels of investment experience and company tenure are sound across the investment team.

Remuneration and Incentives

The co-founders will not receive a salary until FUM is at a sufficient level to sustain the ongoing funding of the business. They have invested a significant portion of their wealth into the Fund. Their remuneration comes from the Fund's returns and the CCM's share value appreciation. This method aligns the founder's interests with those of the investors. The remuneration of all other staff, including the CEO and COO, will be dictated by their respective Consultancy Agreements and will be revenue share based on the contribution to FUM as well as the successful evolution of the business.

The co-founders will not receive a bonus until FUM is at a sufficient level to sustain the ongoing funding of the business. The bonus of the CEO and COO will be detailed in the respective Consultancy Agreements and will be based on specific hurdles being met regarding FUM and business success.

Both the co-founders' investments in the Fund represent roughly 50% of the FUM. They have each committed a substantial portion of their wealth towards the investment strategy and the funding of Cartwright Capital Management. This fact highly aligns their risk with that of all investors.

SQM Research believes remuneration in the form of firm equity and client-focused performance bonuses act as strong incentives for optimising staff engagement, retention, and productivity. The intention (and SQM believes the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.

Fees and Costs	Fund	Peer Avg**
Management Fee % p.a.	1.31%	1.45%
Expense Recovery/Other Costs % p.a.	–	–
Performance Fee %	15.00%	16.7%
Total Cost Ratio TCR % p.a.	**5.60%**	**2.29%**
Buy Spread %*	0.10%	0.03%
Sell Spread %*	0.10%	0.03%

* This spread is the difference between the Fund's application price and withdrawal price and reflects transaction costs relating to the underlying assets.

** Peer average is based on data provided by SQM's data provider. SQM is not responsible for any errors or omissions.

Management Fee

The management fee excludes GST and is net of any applicable Reduced Input Tax Credits (RITC). The Management Fee includes the Responsible Entity fees as well as the investment manager fees.

Performance Fee

There is a performance fee charged as follows:

- 15.0% of the amount by which the Fund's investment returns (**after** base management fees have been deducted) exceed the Benchmark returns (RBA Cash Total Return Index).
- Excluding GST and the impact of RITC (Reduced Input Tax Credit).
- The fee is accrued monthly and paid to the Manager quarterly.
- The fee is adjusted for any prior accumulated negative performance fee. Underperformance in a previous performance period must be made up for before a performance fee is payable. This creates a permanent high-water mark.

SQM Research observes that:

- ***The Fund management fee is 1.31% p.a., which is 14 basis points lower than the peer group average.***
- ***The Total Cost Ratio (TCR) is 5.6% p.a., which is 361 basis points higher than the peer group average. However, the Fund has provided every cost in detail, and direct comparison to peers may not be precisely comparable. In addition, the Fund is still quite small and fixed costs as a percentage of total costs will fall as the Fund grows in size.***

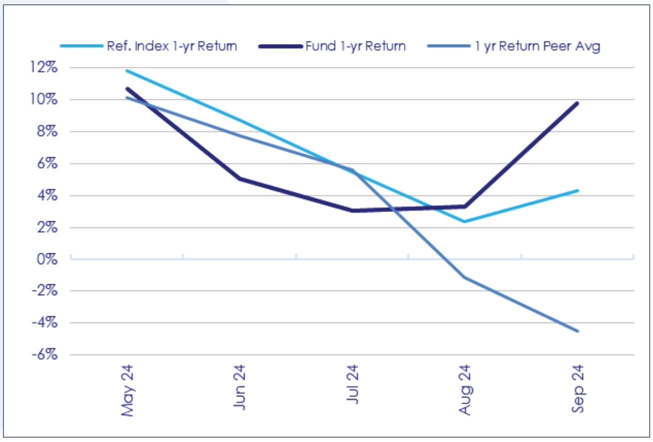
Risk/Return Data to 30 September 2024							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Fund	2.13	-3.04	-9.38	9.79	.	.	5.30
Reference Index	1.24	-2.93	-0.17	4.34	.	.	4.57
Peer Average	0.58	-7.18	-9.51	-4.49	.	.	0.36
Alpha	0.89	-0.11	-9.21	5.46	.	.	0.74
Metrics				**1-Year**	**3-Year**	**5-Year**	**Inception**
Tracking Error (% p.a.) - Fund				18.95	.	.	17.63
Tracking Error (% p.a.) - Peer Average				12.62	.	.	12.54
Information Ratio - Fund				0.29	.	.	0.04
Information Ratio - Peer Average				-0.72	.	.	-0.26
Sharpe Ratio - Fund				0.27	.	.	0.05
Sharpe Ratio - Peer Average				-0.64	.	.	-0.31
Volatility - Fund (% p.a.)				20.21	.	.	18.82
Volatility - Peer Average (% p.a.)				14.26	.	.	13.42
Volatility - Reference Index (% p.a.)				8.73	.	.	7.58
Beta based on the stated Reference Index				0.82	.	.	0.88

Distributions reinvested. Returns beyond one year are annualised. Return history starts Jun-2023

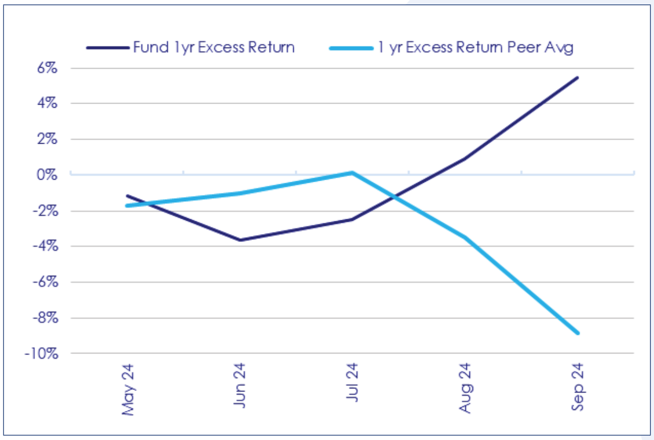
Reference Index: Barclays CTA Index

Return and Risk

Rolling Returns

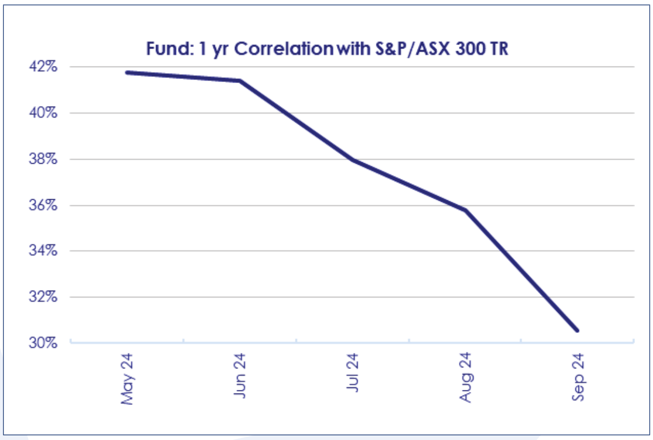


Rolling Excess Returns

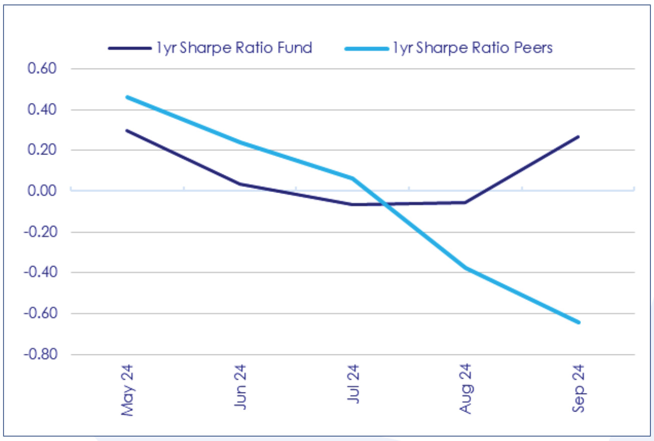


Return and Risk

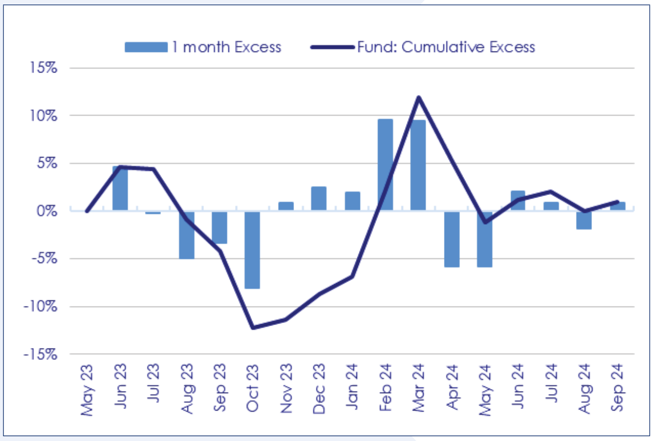
Rolling Correlation



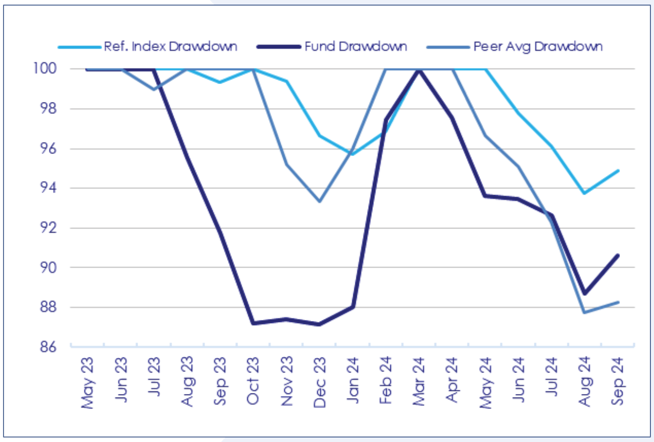
Rolling Sharpe Ratio



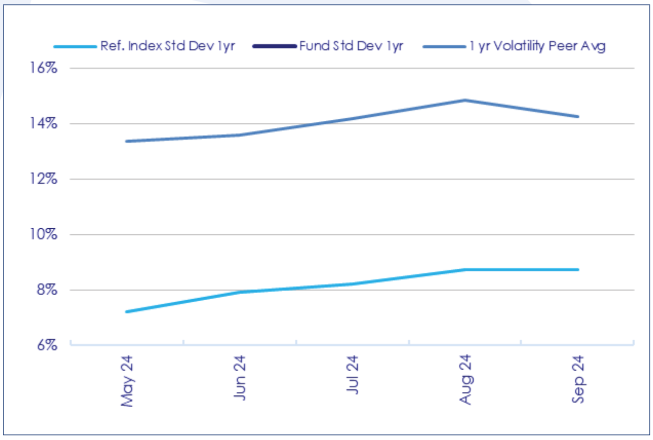
Cumulative Excess Returns



Drawdowns



Rolling Volatility



The table below outlines limits on the Fund's asset allocation and other risk parameters: - (copy from RFI if provided)

Fund Constraints and Risk Limits	Permitted Range or Limit
Constraint 1	Phoenix Portfolio – 35%, Trend Following Strategies – 65%
Constraint 2	Total Budget at Risk = 30%
Constraint 3	Portfolio Leverage = 4:1
Constraint 4	Cash Equity strategy averages around 30%
Constraint 5	Minimum cash equity price = 0.20c
Maximum Weight: Single Security	Size determined by volatility (ATR)
Maximum Weight: Single Stock/Manager	Size determined by volatility (ATR)
Maximum Weight: Single Sector	Only three stocks in each GICS sector

Top 5 Positions by Weight (% of Fund)					
Name	Weight	Asset Class	Listed/OTC	Type	Sector/Industry
Position 1	Micro S&P500 (MES)	Derivative	Listed	Futures	Equity
Position 2	Lumber (LBR)	Derivative	Listed	Futures	Soft
Position 3	U.S. 20 Year (ZB)	Derivative	Listed	Futures	Bond
Position 4	Micro Copper (MHG)	Derivative	Listed	Futures	Commodity
Position 5	Micro Gold (MGC)	Derivative	Listed	Futures	Commodity

Drawdown

A drawdown tracks the path of the Fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

Alpha

SQM defines **Alpha** as the excess return compared to the Benchmark and is calculated as

Alpha = Fund Return – Benchmark Return

A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having a sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Fund's taxable income for that year.

If the total distributions a Fund pays out exceed total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made, or a Fund may make additional distributions.

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee that a Fund will make a distribution in any distribution period.

Total Cost Ratio (TCR)

Managed Investment Schemes: The TCR for Managed Investment Schemes, Exchange Traded Products, and Investment Bond funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, and the impact of dollar-based fees.

Superannuation funds: The TCR for Superannuation and Pension funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, Administration Fees and Costs, the impact of dollar-based fees and a deduction of Super OTC Derivative Costs.

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