

Alternative assets

What role do they play in portfolios?

September 2018 | Prepared by Lukasz de Pourbaix, CIO

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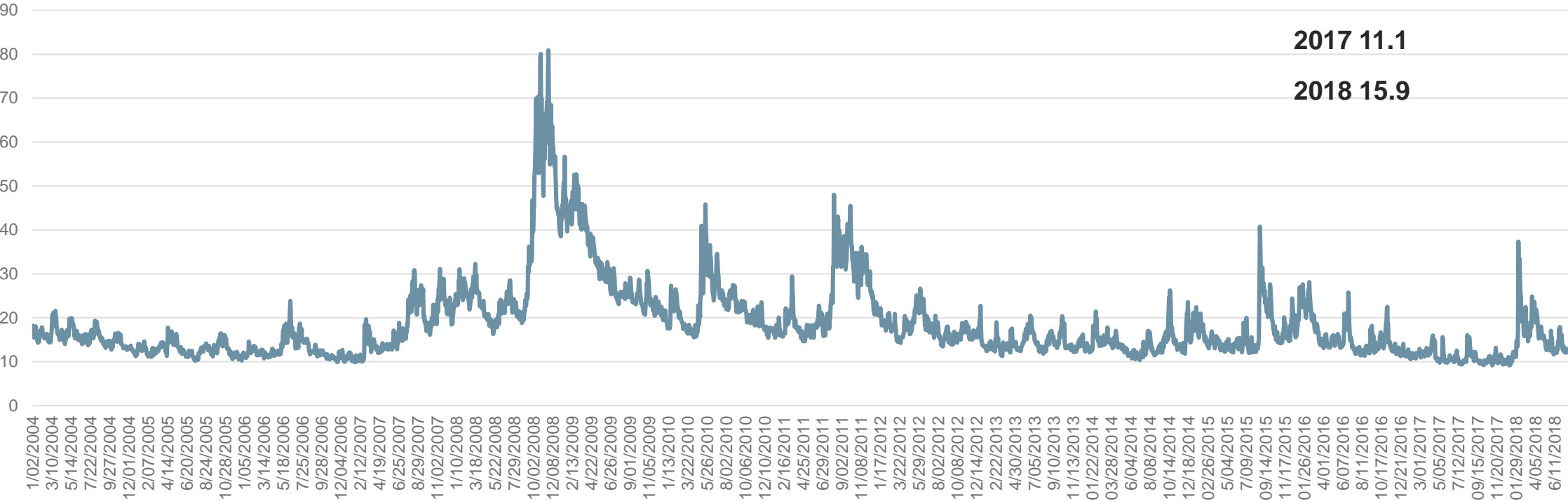
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Alternative investments can assist in diversifying portfolios by investing in assets or employing investment strategies that are negatively, or lowly correlated to traditional assets such as equities & bonds.

Market volatility & alternatives

VIX



2017 11.1

2018 15.9

Source: CBOE

Lonsec's Neutral Asset Allocation

| ASSET CLASS | DEFENSIVE | CONSERVATIVE | BALANCED | GROWTH | HIGH GROWTH |
|---------------------------|-----------|--------------|----------|--------|-------------|
| EQUITIES | 16 | 29 | 39 | 54 | 70 |
| PROPERTY & INFRASTRUCTURE | 4 | 6 | 11 | 12 | 12 |
| ALTERNATIVES | 12 | 13 | 16 | 17 | 18 |
| BONDS | 43 | 42 | 29 | 15 | |
| CASH | 25 | 10 | 5 | 2 | |

04 | Get in touch

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IS YOUR PORTFOLIO PREPARED FOR THE NEXT EVENT?



Executive Summary



The current bull markets are the longest on record

Equities and bonds = expensive

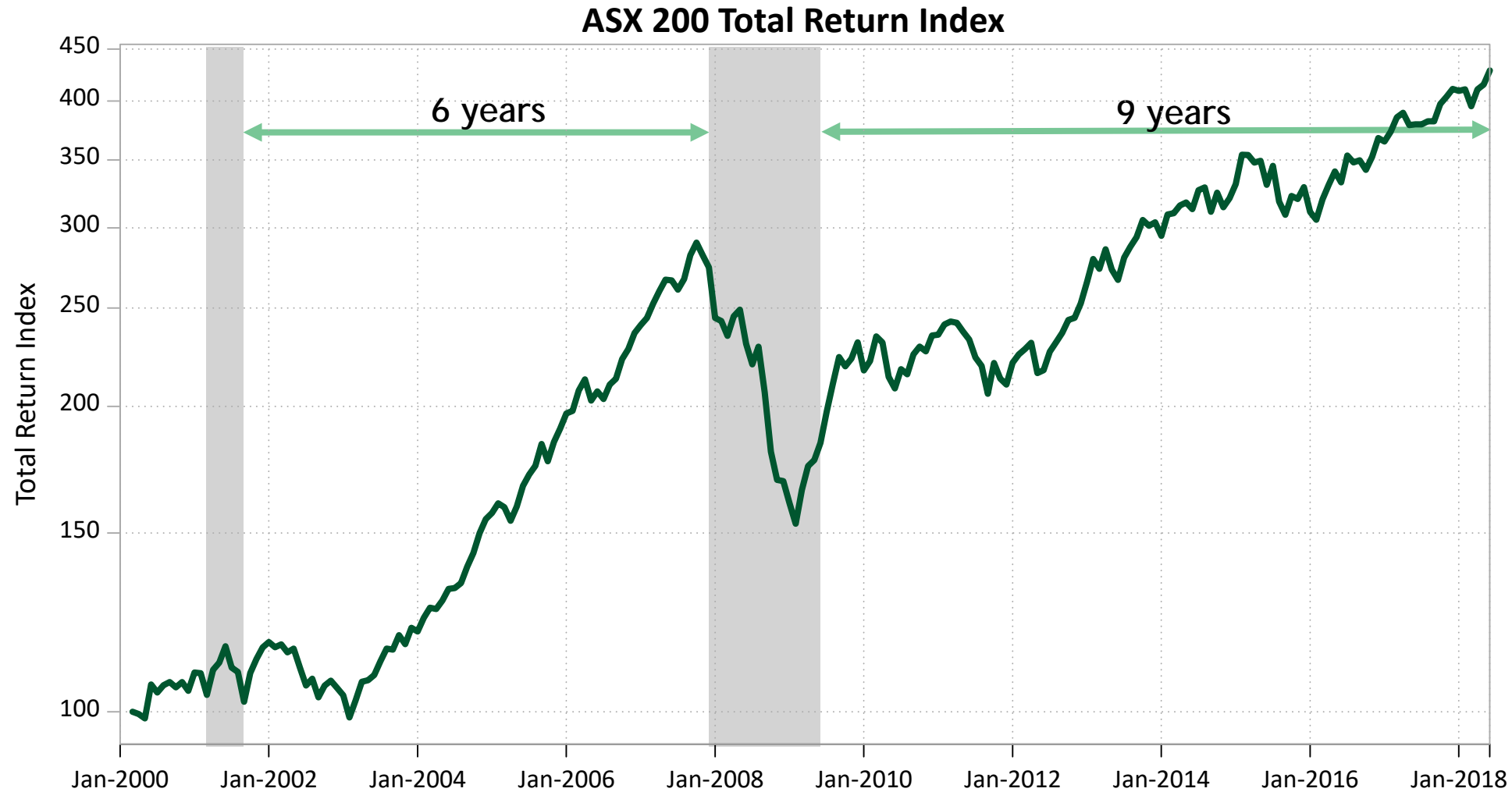
Traditional diversifiers can behave like equities in a crisis

Global macro can be a diversifying absolute return asset



Source: Google Images

This has been a long equity bull market!



Source: Bloomberg, NBER, Two Trees
Shaded regions are NBER recessions.

...and an even longer bond bull market!

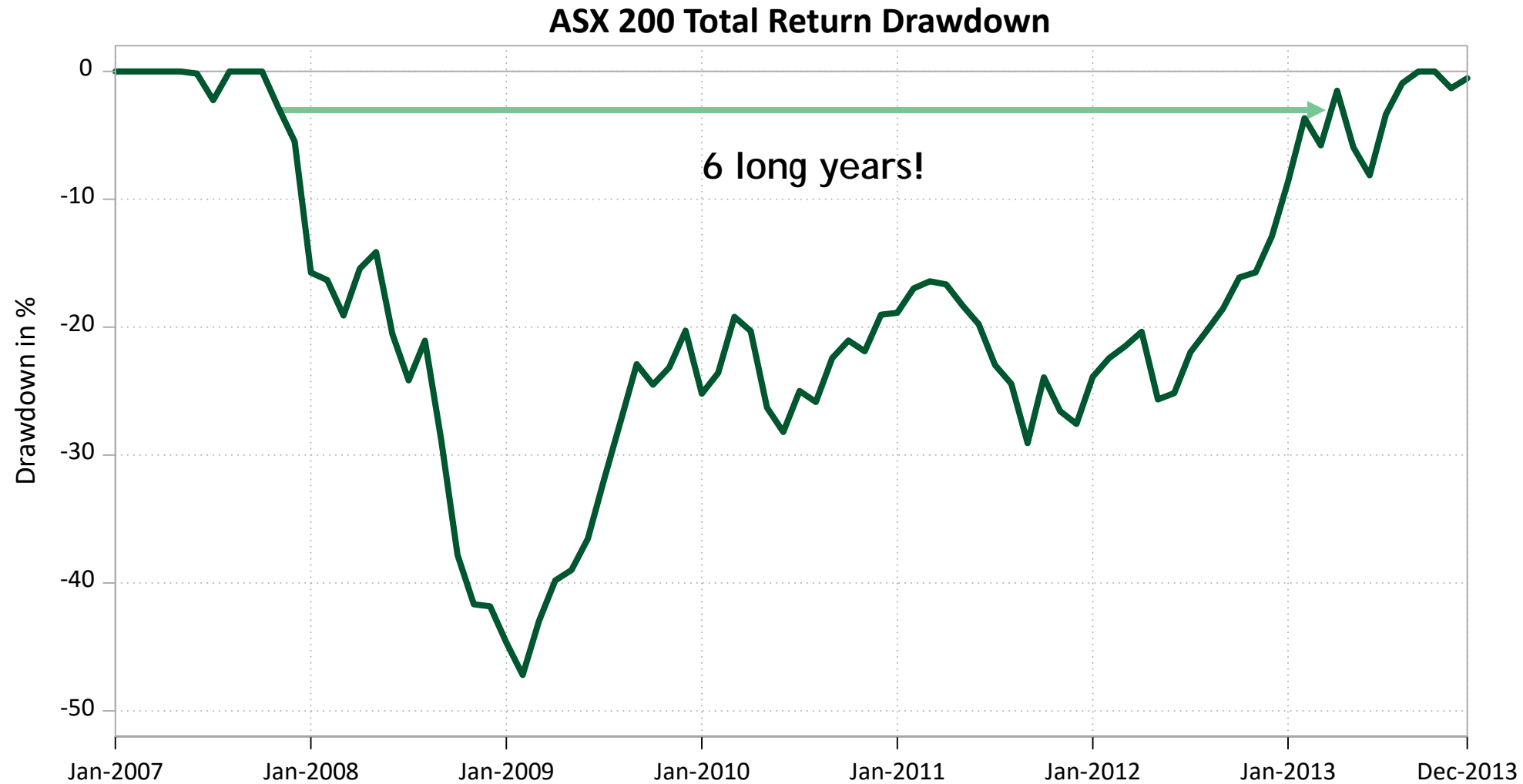


10 year Australian Govt. Bond Yield



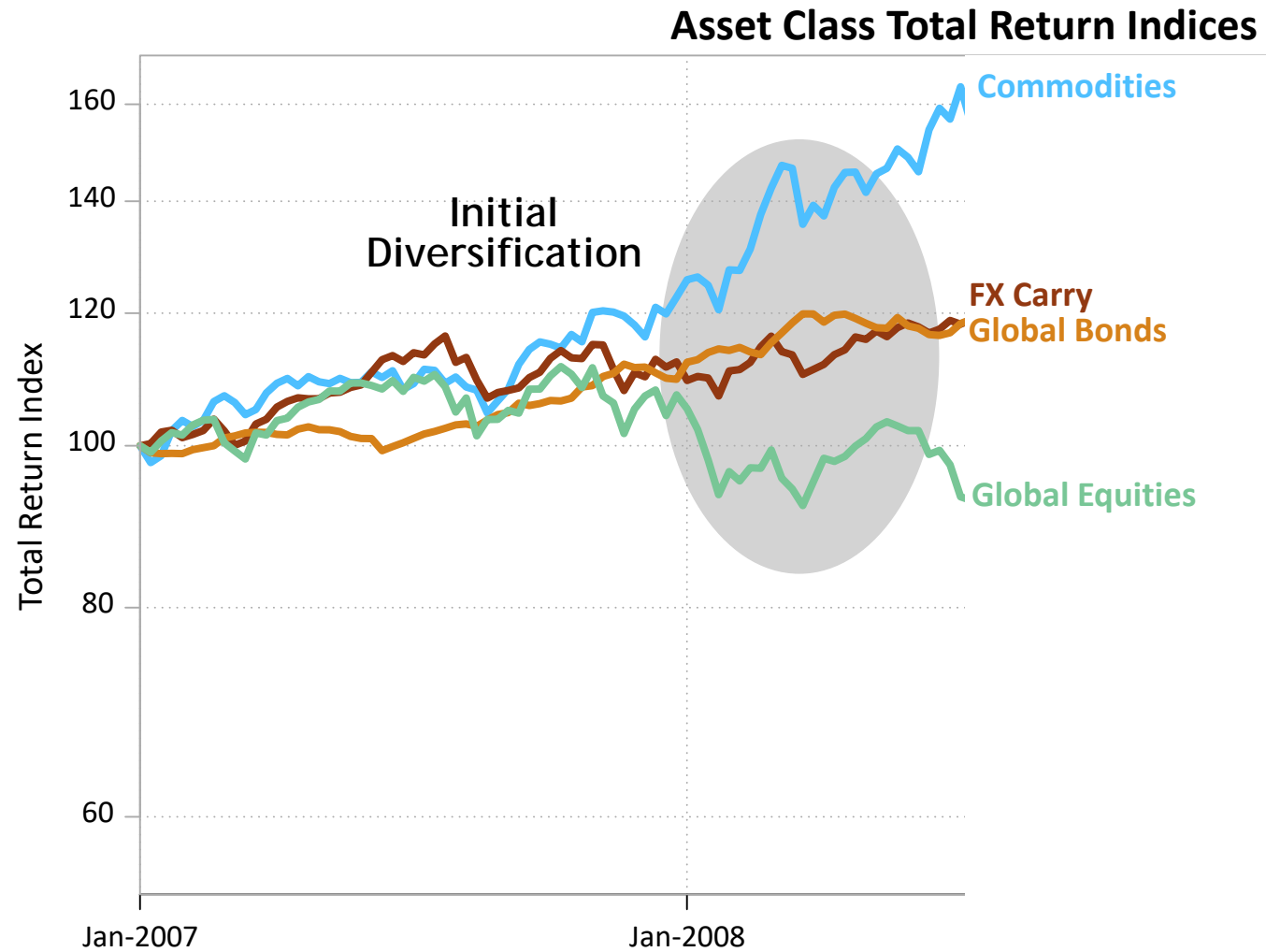
Source: Bloomberg, Two Trees

50% drawdown → 100% return to get square!



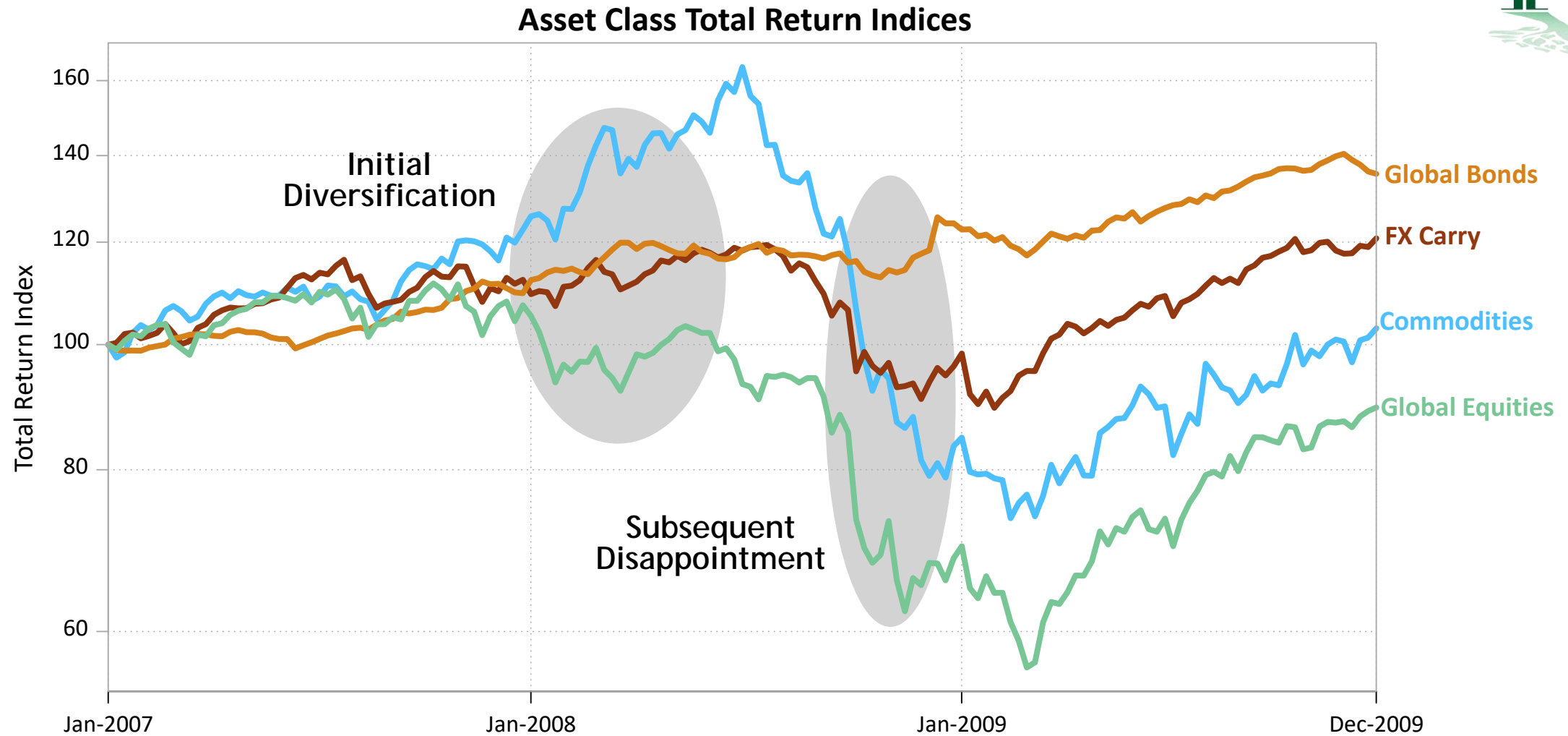
Source: Bloomberg, Two Trees

How diversified is your portfolio?



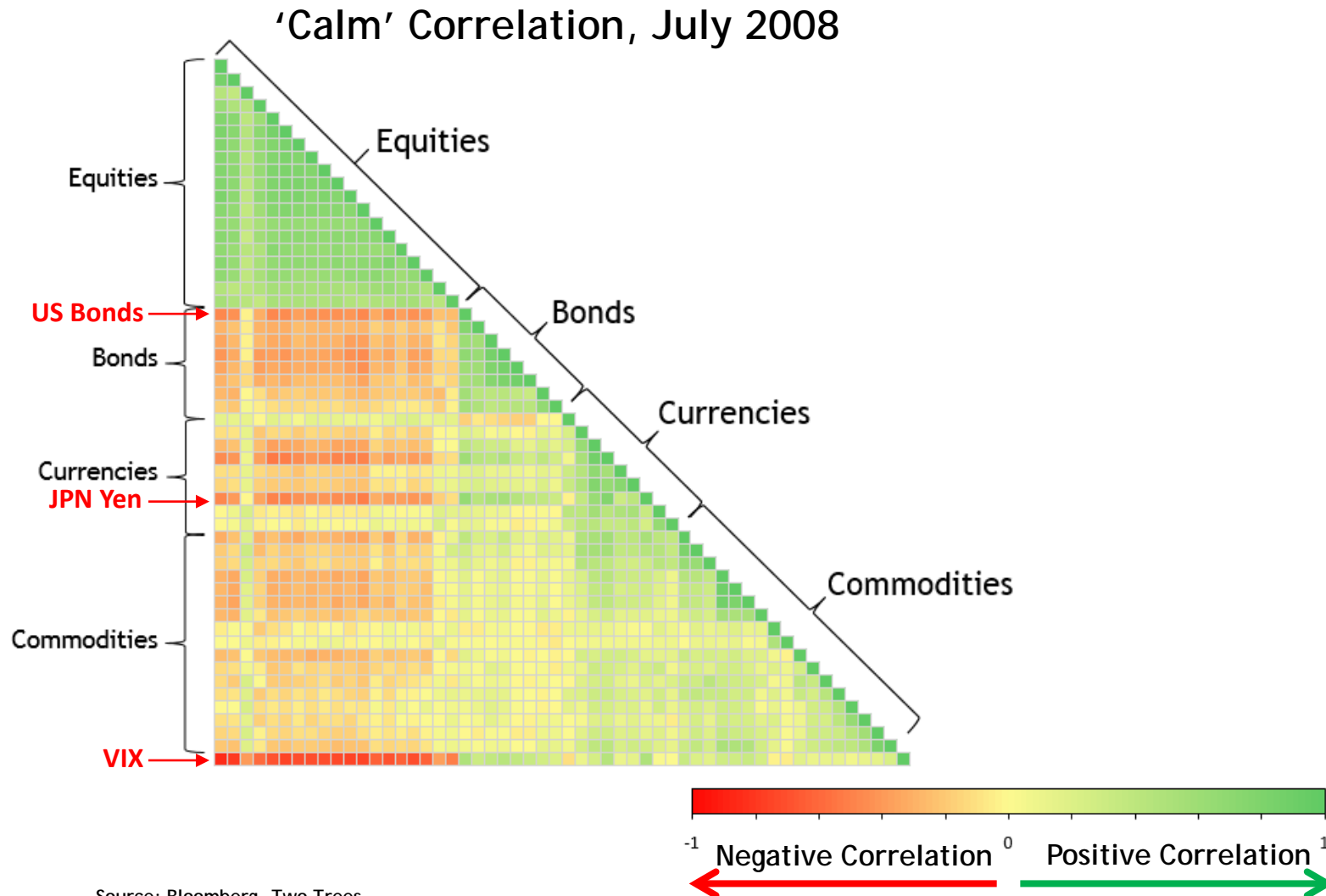
Source: Bloomberg, Two Trees

How diversified is your portfolio?



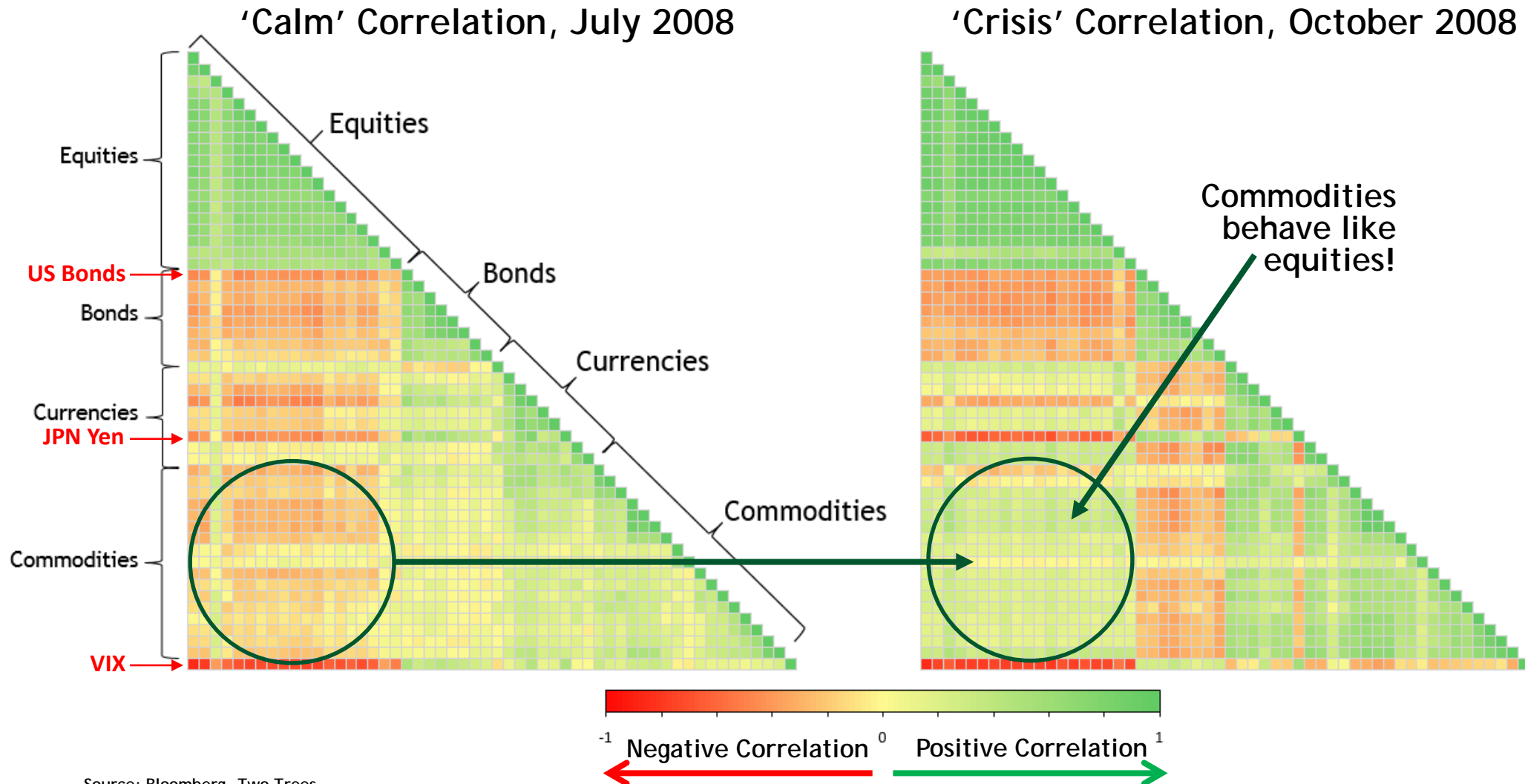
Source: Bloomberg, Two Trees

Diversification doesn't desert - correlations change!



Source: Bloomberg, Two Trees

Diversification doesn't desert - correlations change!



Source: Bloomberg, Two Trees

Story so far



1. Late in the economic cycle
2. Equities and bonds = expensive
3. Drawdowns hurt!
4. Traditional diversifiers can behave like equities during a crisis

What's the solution?



Global Macro can diversify your portfolio

Global macro has roots in Tactical Asset Allocation (TAA), and can adjust the total portfolio allocation based on risk-return outcomes.

- Two Trees Global Macro targets:
 - Returns: cash + 8%
 - Volatility: 8% -12% p.a.
 - Consistent absolute returns, low correlation to traditional asset classes
- How do we do it?
 - We trade long & short
 - We trade different asset classes:

What is global macro investing?

Setting the stage



Two Trees **isn't**:

- Subjective/Discretionary
- Black Box
- Ultra-High-Frequency

INSTEAD...

Two Trees **is**:

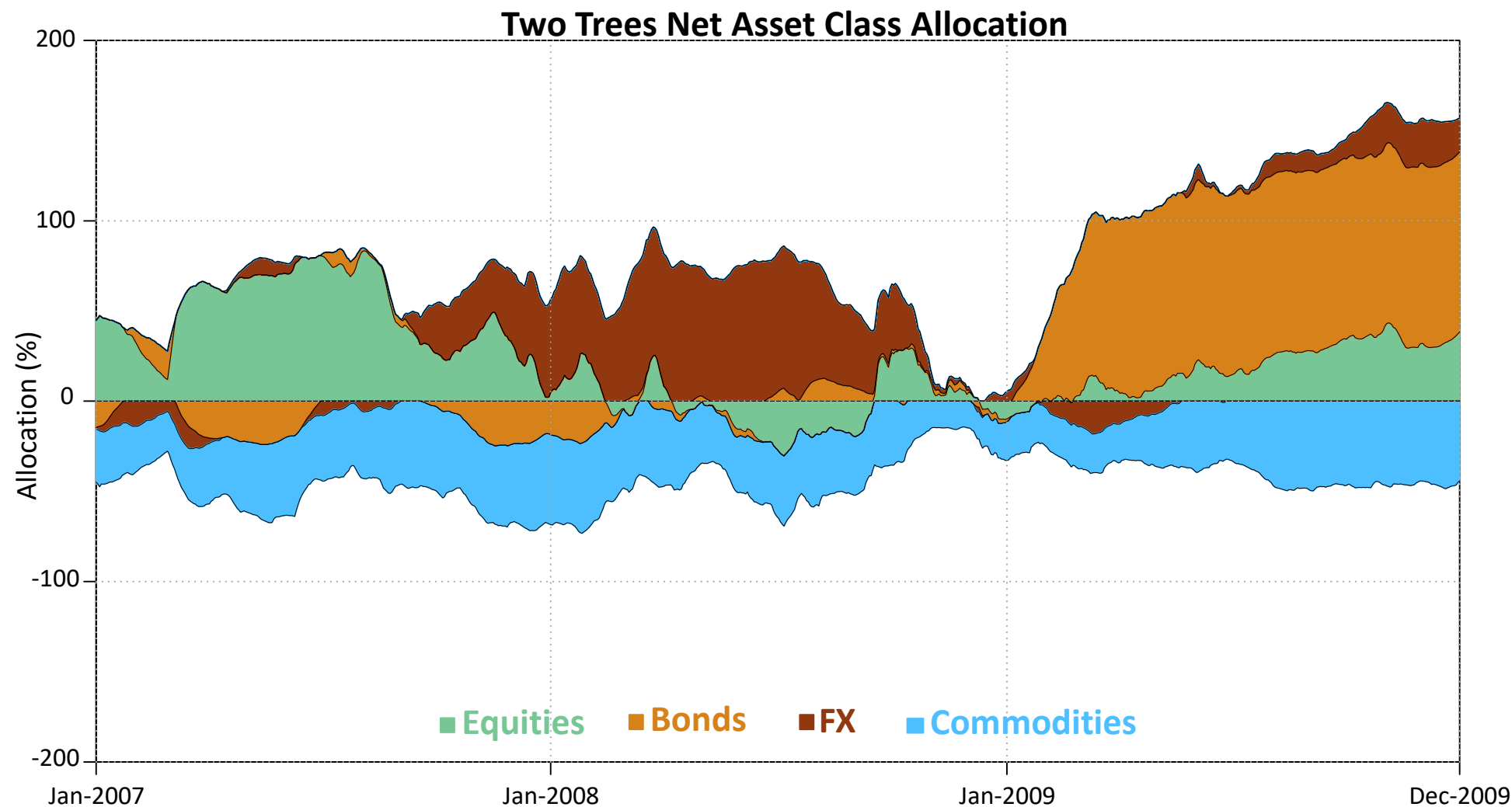
- Systematic
- Based on Economic Fundamentals
- Average Holding Period in Months

Two Trees market universe

54 liquid listed indices

| | Equity Index Futures | Bond Futures | Currency Forwards | Volatility Futures | Commodity Futures | |
|---------------|-----------------------|----------------------|-------------------|--------------------|-------------------|--|
| NORTH AMERICA | | | | | | |
| Canada | TSX 60 | CGB 10 year bond | CAD | | Energy | Crude oil |
| United States | S&P 500 Nasdaq 100 | CBT 10 year note | | VIX | | Gasoline RBOB Heating oil Natural gas |
| ASIA & AFRICA | | | | | Metals | Gold Silver Copper |
| Australia | ASX 200 | SFE 10 year bond | AUD | | Grains | Soybeans |
| Hong Kong | Hang Seng | | | | | Soybean oil Wheat Corn |
| India | Nifty | | | | Meats | Lean hogs |
| Japan | TOPIX | OSE JGB 10 year bond | JPY | | | Live cattle |
| Korea | Kospi200 | | | | Softs | Cocoa |
| New Zealand | | | NZD | | | Coffee 'C' |
| Singapore | MSCI Singapore | | | | | Cotton No.2 |
| South Africa | Top 40 | | | | | Sugar #11 |
| Taiwan | MSCI Taiwan | | | | | |
| EUROPE | | | | | | |
| Euro | | Euro Bund | EUR | | | |
| France | CAC 40 | OAT French Bond | | | | |
| Germany | DAX 30 | | | | | |
| Italy | MIB 30 | BTP Italian Bond | | | | |
| Netherlands | AEX | | | | | |
| Norway | | | NOK | | | |
| Spain | IBEX 35 | | | | | |
| Sweden | OMX 30 | | SEK | | | |
| Switzerland | SMI | | CHF | | | |
| UK | FTSE 100 | UK 10 year Gilts | GBP | | | |

Don't be static - be dynamic!

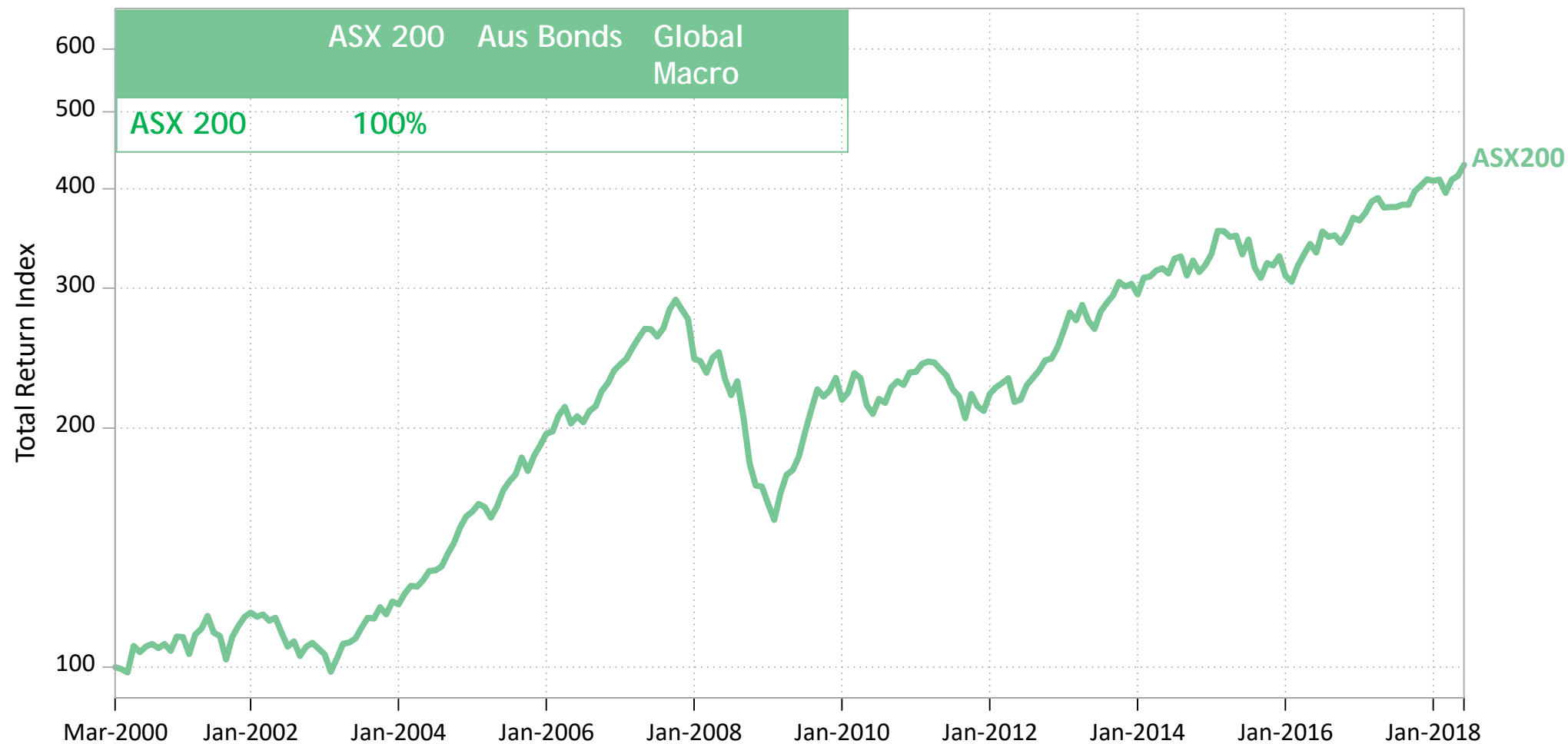


Source: Bloomberg, Two Trees

Simulations performed using standard Two Trees assumptions and parameters. Simulated past performance is not predictive of future performance.

Global Macro can diversify traditional portfolios

Balanced Fund Performance

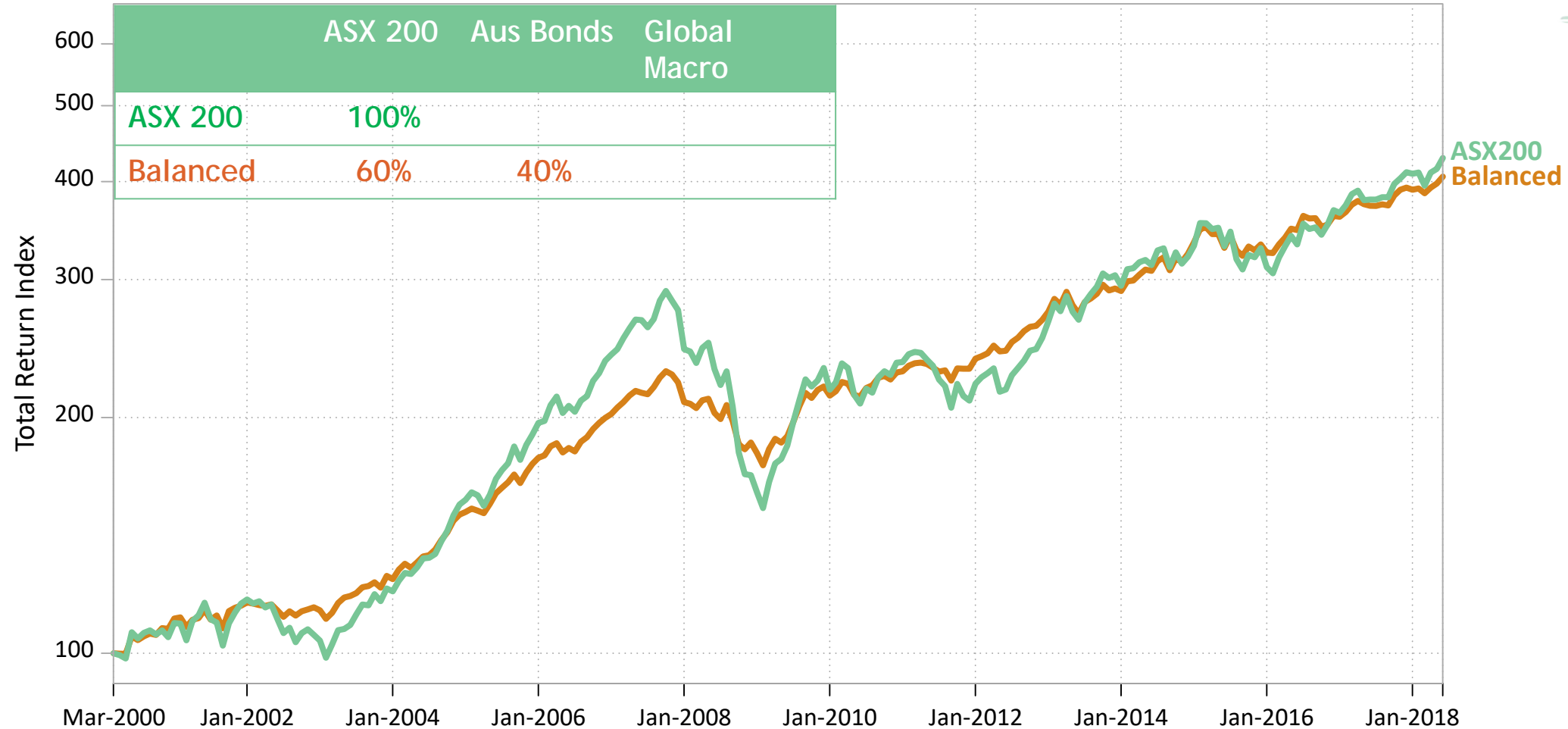


Source: Bloomberg, Datastream, Two Trees

Simulations performed using standard Two Trees assumptions and parameters. Simulated past performance is not predictive of future performance

Global Macro can diversify traditional portfolios

Balanced Fund Performance

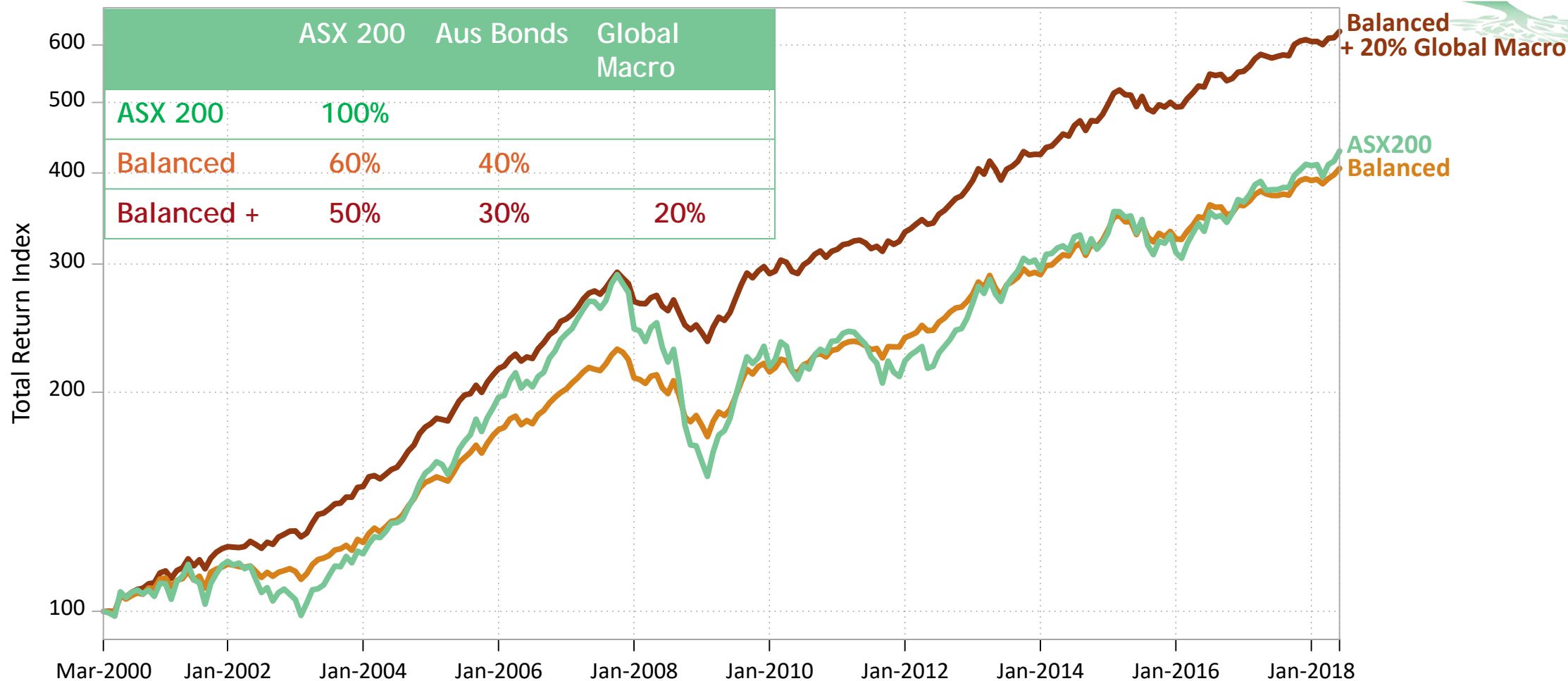


Source: Bloomberg, Datastream, Two Trees

Simulations performed using standard Two Trees assumptions and parameters. Simulated past performance is not predictive of future performance. 'Balanced' is 60% ASX 200 and 40% 10Y Australian Government Bonds.

Global Macro can diversify traditional portfolios

Balanced Fund Performance



Source: Bloomberg, Datastream, Two Trees

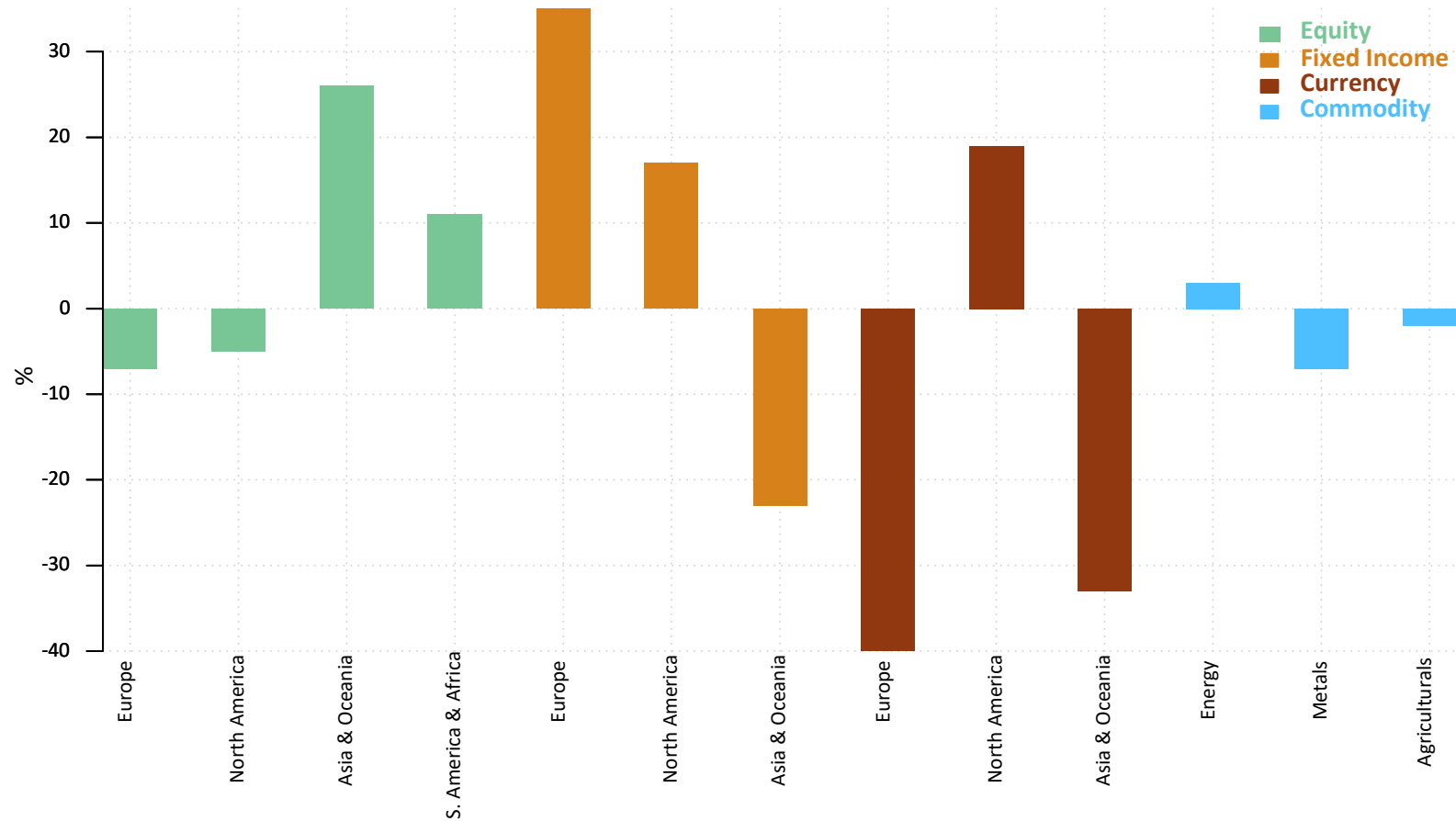
Simulations performed using standard Two Trees assumptions and parameters. Simulated past performance is not predictive of future performance. 'Balanced' is 60% ASX 200 and 40% 10Y Australian Government Bonds. 'Balanced + 20% Global Macro' is 50% ASX 200, 30% 10Y Australian Government Bonds and 20% Two Trees Global Macro Fund.

Current portfolio positioning

Spreading risk within and across asset classes



Portfolio Net Allocation: 2018-07-31



Source: Bloomberg, Two Trees

Current Portfolio Positions

Digging under the aggregates



Equities: SHORT Japanese equities, LONG Singaporean equities

- Singaporean equities have a more positive forecast than the Japanese equities, driven by a better value forecast
- Hedge two correlated assets

Bonds: LONG European bonds, SHORT Japanese bonds

- European bonds have a more positive forecast, driven by higher yield forecasts

Currencies: SHORT the Swiss Franc against the USD

- Our models have the CHF as poor value and poor momentum

Commodities: SHORT Lean Hogs, LONG Live Cattle

- Cattle and Hogs are correlated, though cattle has a better return forecast

Summary



The current bull markets are the longest on record

Equities and bonds = expensive

Traditional diversifiers can behave like equities in a crisis

Now is the time to add Global Macro to your portfolio



Source: Google Images

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Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS



Partners Group Global Multi-Asset Fund

September 2018



PCI Pharma Services | Private Equity

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Partners Group Global Multi Asset Fund

The Partners Group Global Multi Asset Fund provides clients with access to private markets in an innovative structure, that can be accessed directly or via platform

Leading private markets manager

- Partners Group is a leading innovator in the semi-liquid private market space, providing **direct access** for clients to **daily priced private markets investments**

True portfolio diversification

- A private markets portfolio can include **return seeking** investments and those generating a **reoccurring yield**, including: private equity, private debt, private infrastructure and private real estate

Key considerations for market suitability

- The program is designed to sit as one-stop private markets solution in an investor's portfolio: **to diversify, reduce overall equity beta and act as an additional element of return-generation**

Innovative investor friendly structure

- **Daily liquid, Australian domiciled managed fund structure.**



Global private markets investment management

Private markets focus

AUD 106 billion¹ AuM in private equity, private debt, private real estate, private infrastructure

Strong resources

Over **1,000 employees²** representing approximately **60 nationalities** across **19 offices**

Independent

Combined, **employees** are the **largest shareholder**

Stable & transparent

Long-term incentive structures
Listed on the SIX Swiss Exchange⁴



Wide network

>**450** direct investments³
>**800** private markets investment partners
>**300** advisory board seats

Integrated approach

Direct, secondary and primary investment capabilities across private markets

Tested risk management

Chief Risk Officer and a dedicated team of portfolio and risk managers

Client focused structuring

In-house team of over **50 professionals²** offering customized structuring, legal and tax services

¹ Unaudited, inclusive of all Partners Group affiliates, as of June 30, 2018.

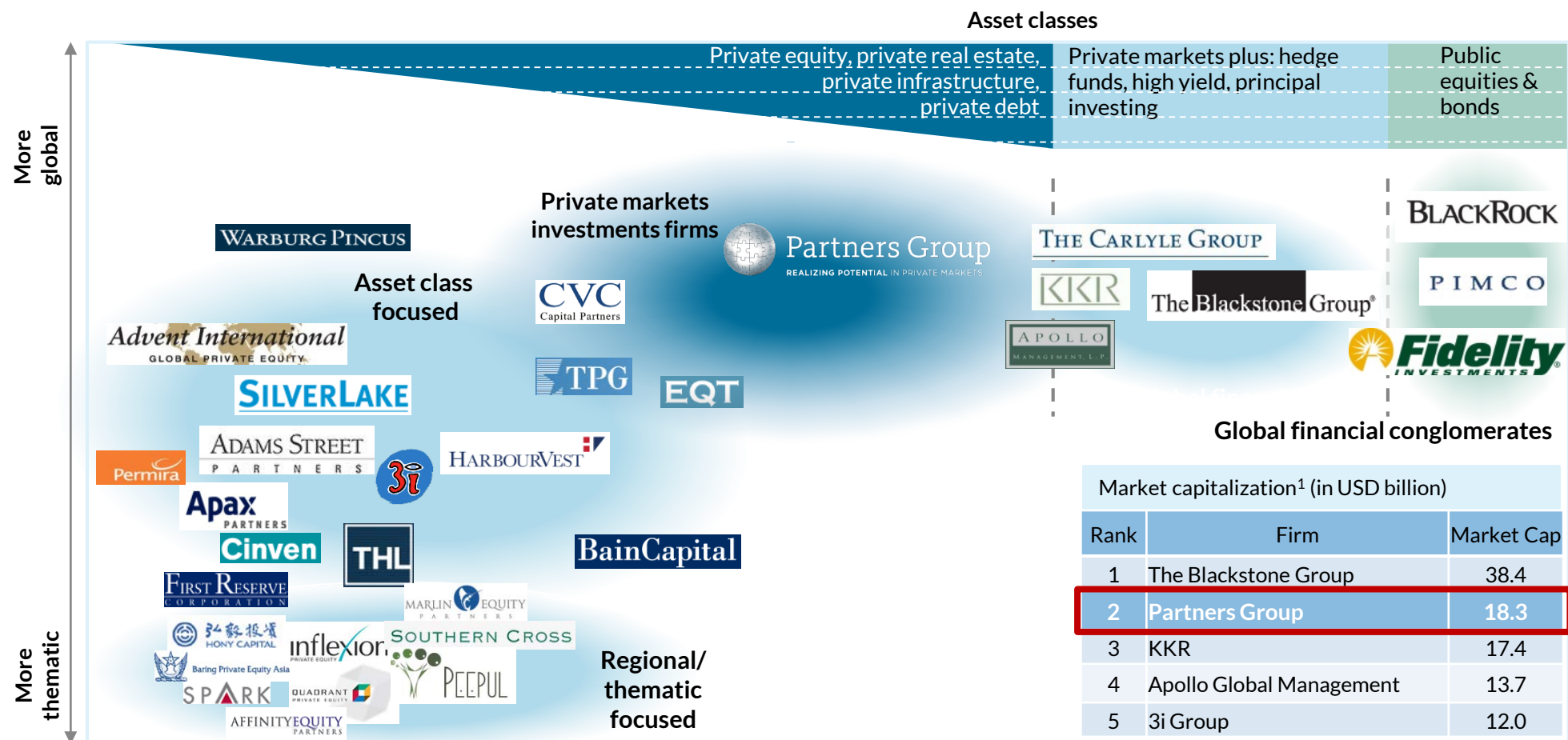
² Team figures as of June 30, 2018.

³ Does not include corporate senior debt.

⁴ Partners Group Holding AG is listed on the SIX Swiss Exchange.



Partners Group's market positioning



Note: this graph does not purport to be final and complete and is shown for illustrative purposes only. There are many more market participants which could be named and positioning of the logos is based on Partners Group's assessment and might not correspond with the participants' assessments. For illustrative purposes only. ¹ Bloomberg as of 31 December 2017.
Source: Partners Group (December 2017)



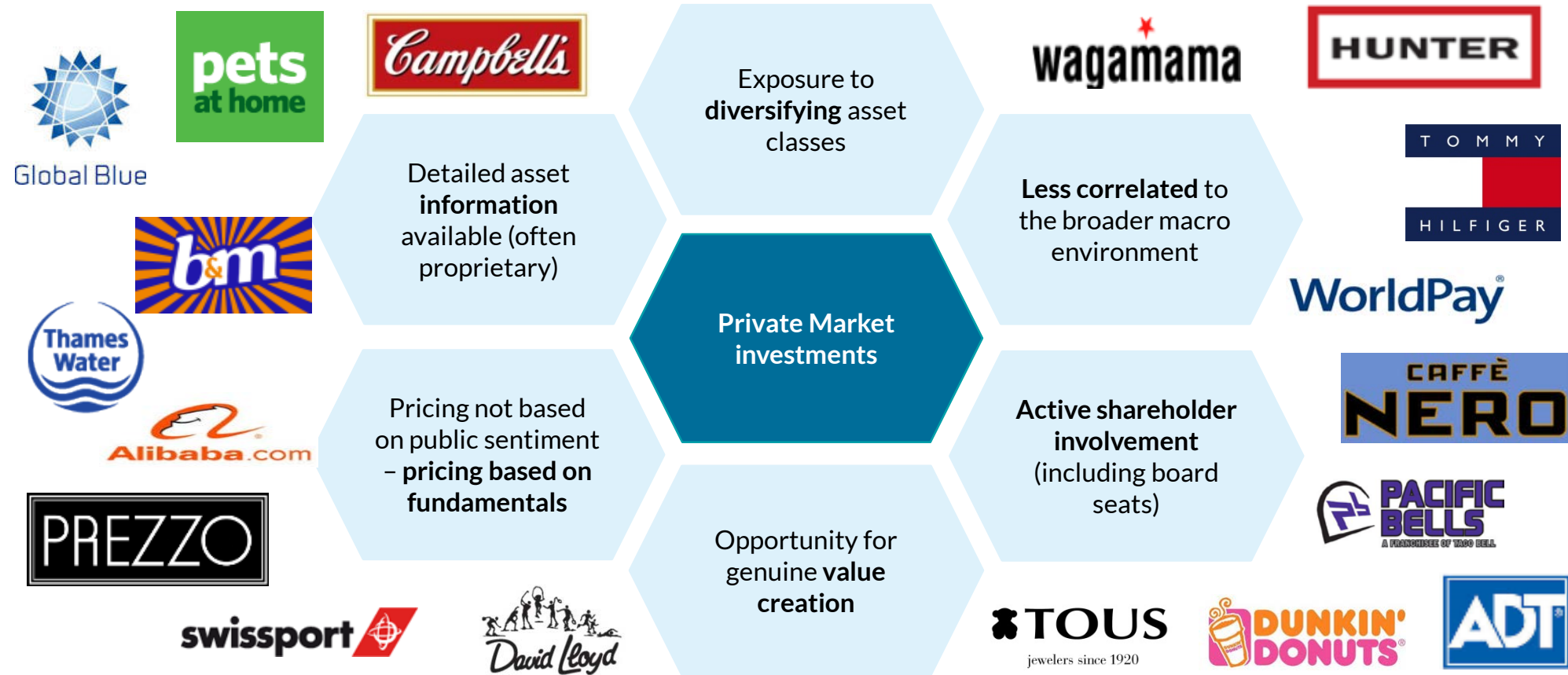
Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

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| 2 | Partners Group Global Multi-Asset Fund |
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Why invest in private markets?



Private markets provide opportunity to generate greater long-term returns – critical for investors to reach retirement goals

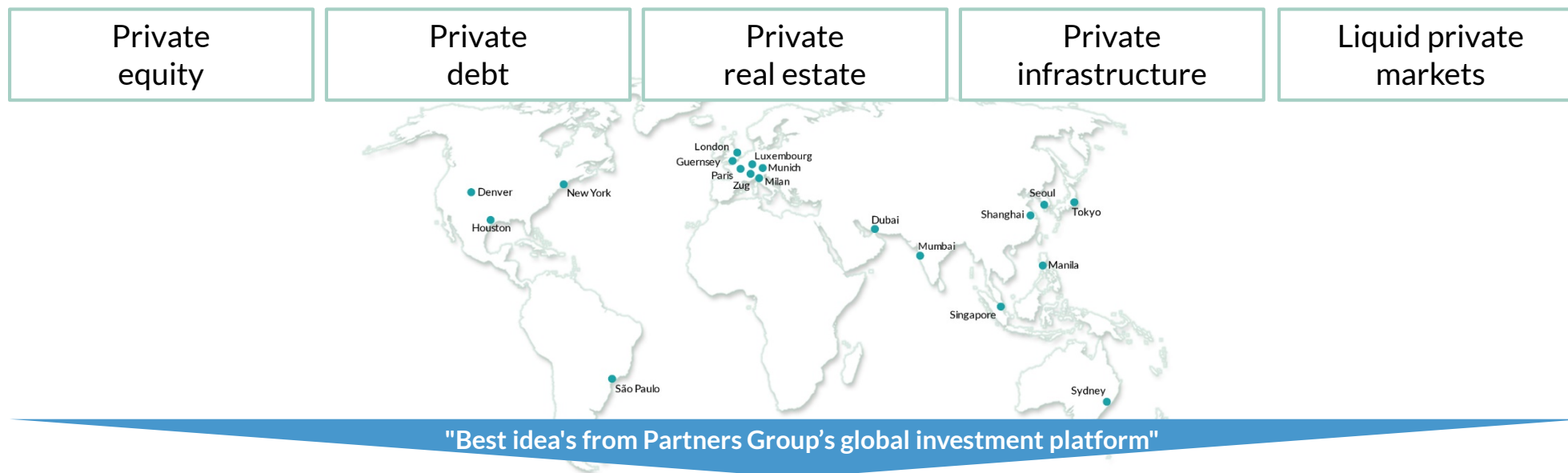


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Access to Partners Group's global investment platform



Partners Group Global Multi Asset Fund

- **Relative value investing:** fully diversified global private markets portfolio providing access to direct and secondary investments
- **Experience:** >15 years proven track record in managing semi-liquid private market solutions through the cycle
- **Market viability:** full compatibility with operational and regulatory requirements

Leverages on Partners Group global reach across private market asset classes



A differentiated fund offering

| | Partners Group Global Multi-Asset Fund ¹⁾ | Classical diversified private equity vehicle |
|------------------|---|--|
| Access | <ul style="list-style-type: none"> Immediate exposure to a diversified private market portfolio | <ul style="list-style-type: none"> Typically for institutional investors with high minimum investment |
| Asset Allocation | <ul style="list-style-type: none"> Dynamic with focus on relative value through secondaries and directs | <ul style="list-style-type: none"> Static |
| Liquidity | <ul style="list-style-type: none"> Daily liquidity subject to net redemptions being limited to 10% of NAV per day, 25% of NAV per any rolling 30d period and 40% of NAV per any rolling 365d period²⁾ | <ul style="list-style-type: none"> Illiquid with 10-12 years lock-up period |
| Administration | <ul style="list-style-type: none"> Managed fund structure with daily dealing and distributions | <ul style="list-style-type: none"> The need to process capital calls and distributions |

Partners Group Global Multi-Asset Fund offers an innovative way to access the private market asset class

Diversification does not ensure a profit or protect against loss. 1) Further details are available in the fund's product disclosure document. 2) Redemption requests that will be processed on a dealing day are limited to 10% of NAV per day, 25% of NAV over 30-day period, and 40% of NAV over 12-month period. Prospective investors must be aware of the potential limitations of their ability to withdraw from the fund. Neither the Responsible Entity nor the Investment Manager provide any guarantee concerning the liquidity of the fund or the ability of an investor to withdraw its investments. Details of the redemption limits and limited redemption arrangements are set out in the fund's product disclosure document.



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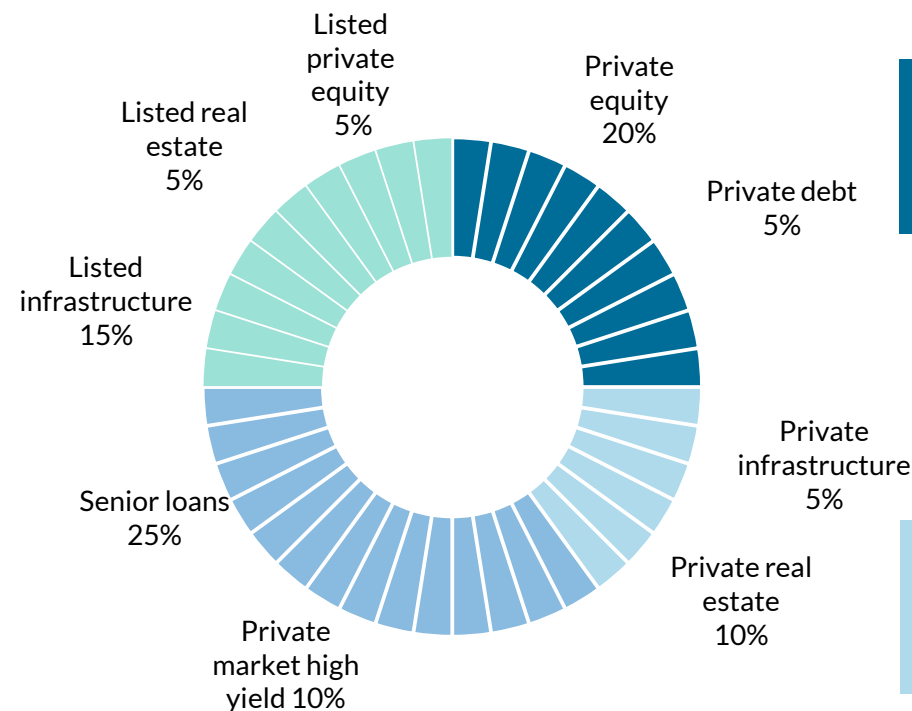
Global Multi-Asset Fund: private market "all season" portfolio

Liquidity portfolio

Target return: 3 - 6%
Daily liquid

Credit portfolio

Target return: 5 - 8%
Liquid over 1-12 months



Private equity portfolio

Target return: 12 - 17%
Typical holding period: 3 - 4 years

Real assets portfolio

Target return: 10 - 15%
Typical holding period: 4-5 years

Resulting characteristics

Generates
alpha

Reduced
equity beta

Low duration
risk

Contractual
yield

Inflation
protection

Portfolio
diversification

Reduced
volatility

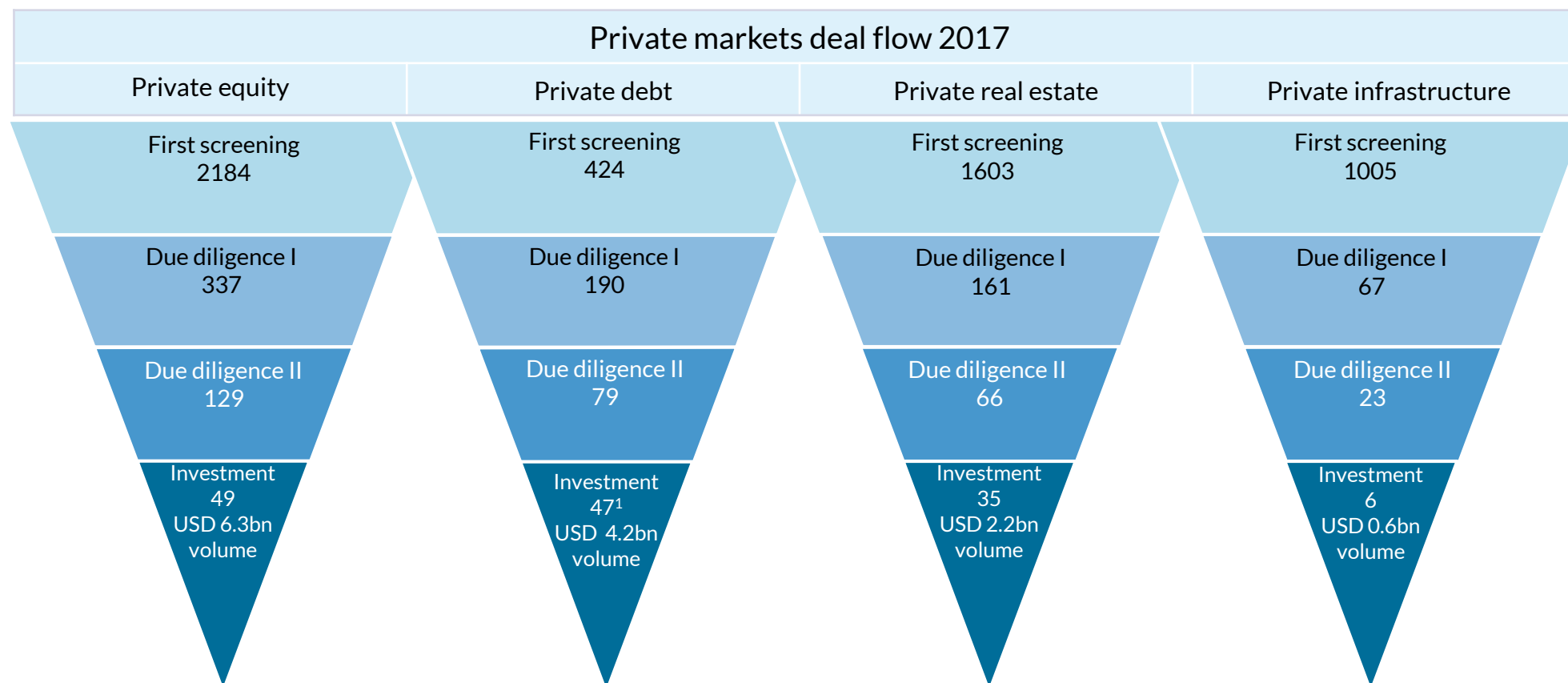
Targeting net return of 8-10%

Source: Partners Group (2017). There is no assurance that target returns will be achieved. Net of underlying fees and gross Partners Group fees.



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Strong deal flow allows for relative value investing and selectivity



Partners Group's solutions are able to select from the platforms' global deal flow

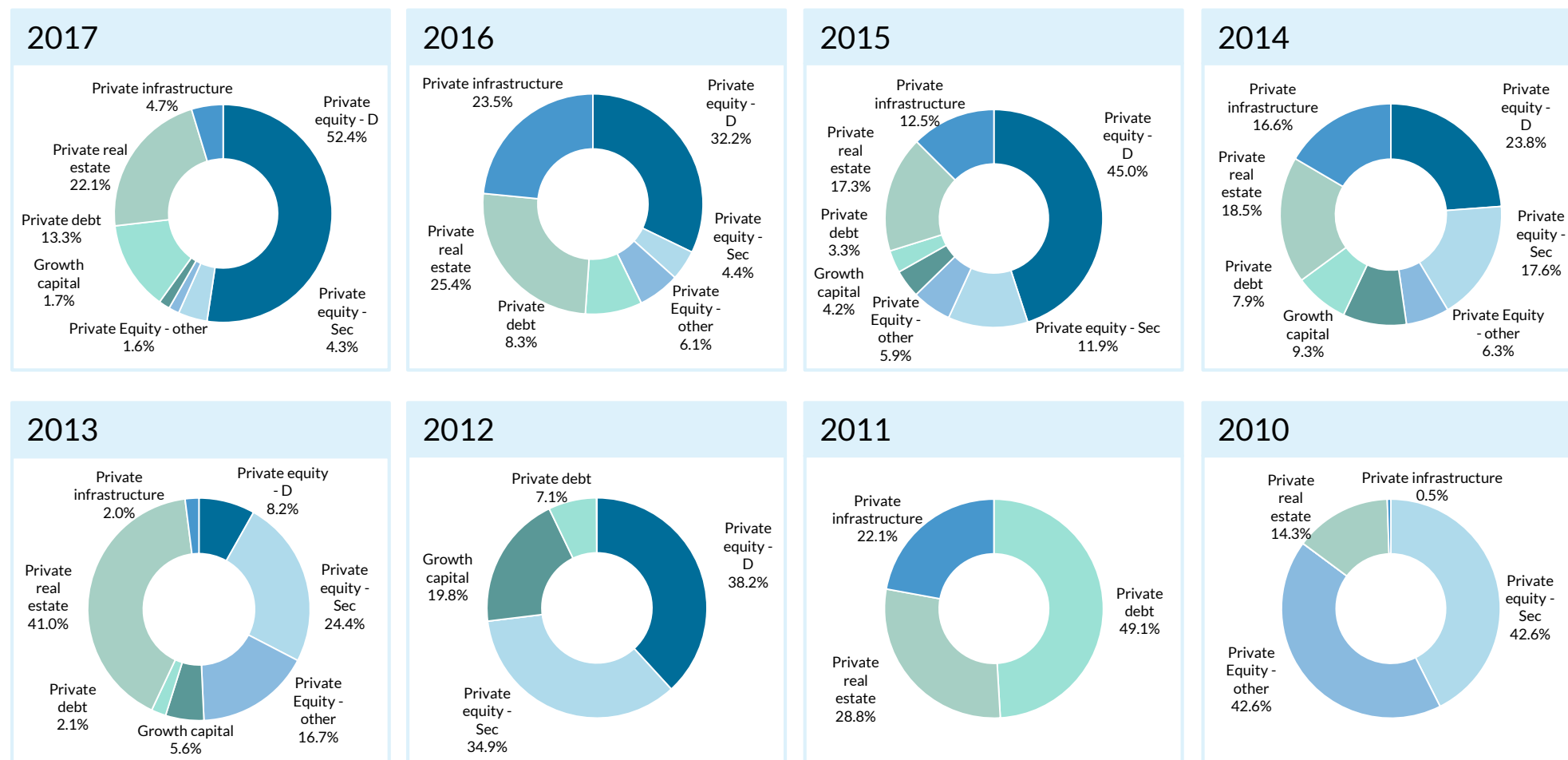
Source: Partners Group as of 31 December 2017

Note: preliminary and estimated figures. ¹ The number of credits does not include liquid loans in the syndicated debt market.



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Relative value implementation - new money deployed by asset class: The Partners Fund example



Source: Partners Group, Pie charts show percentages drawdowns out of total to investment by asset class relative to overall private markets investments executed in any given year (excluding first lien senior loans). Data as of 31 December 2017. The allocation could vary in the future depending on varying circumstances and there is no obligation on the fund to maintain these percentages.



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Key investment strategies and transformative trends: private equity

Private equity

- **Platform companies** – acquire companies and lead add-on acquisition program for platform build-out
- **Category winners** – companies that are leaders in their industry in terms of market share or growth
- **Defensive leaders** – niche leaders with strong defensive capabilities

Specialization & digitalization



Market opportunity:

Trend towards specialization and digitalization of services, in parallel to the Industry 4.0 trend

Relative value / investment focus:

- Focus on companies offering digitally-enabled manufacturing solutions
- In business services, TMT and consumer sectors, identify companies that pair specialized expertise in a process or product with digital solutions

Outsourcing



Market opportunity:

Growing demand for outsourcing of services to acquire expertise or for cost containment

Relative value / investment focus:

- Exploit trend towards cost optimization solutions, such as business process outsourcing (e.g. non-core functions) and software
- Identify specialist service providers in niche segments

Early & international education



Market opportunity:

Private education operators across the entire education stream, serving markets with poor perception of public education quality and strong desire for international education

Relative value / investment focus:

- Focus on Pre-K and K-12 and pathway education providers with a structured and differentiated curriculum
- English-language education in EMs

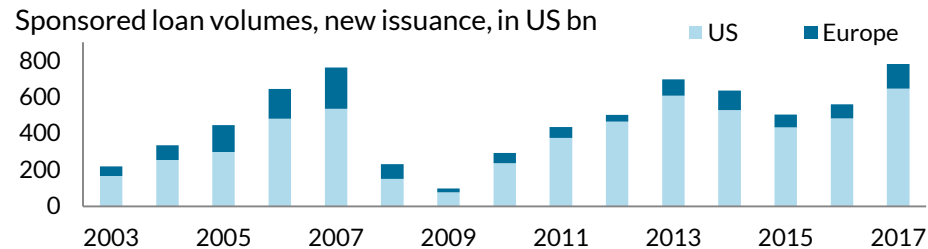


Private debt: buoyant market but still reasonably disciplined

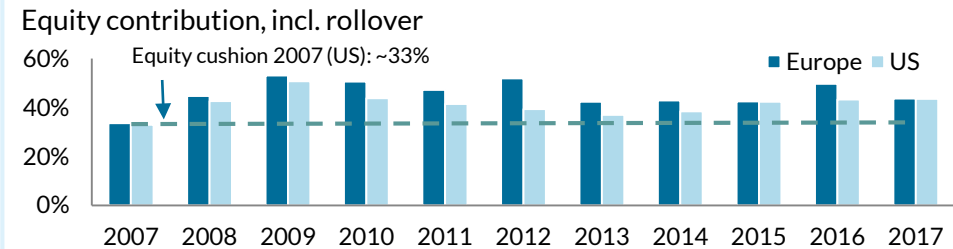
Private debt

- **Creative structures** – offer flexible and tailor-made capital structures
- **Target attractive sub-sectors** – where capital market lacks relevant depth of experience
- **Buy-and-build strategies** – support successful management teams in their buy-and-build strategy

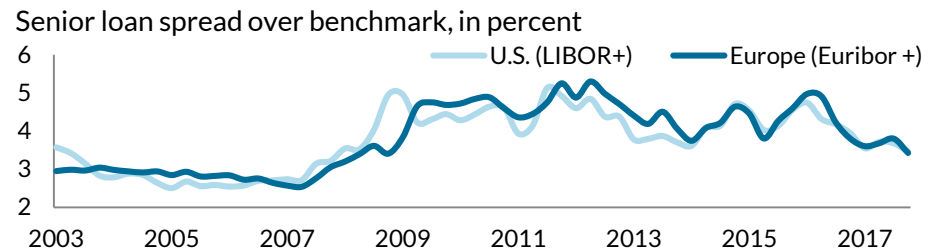
Strong issuance of sponsored loan volumes



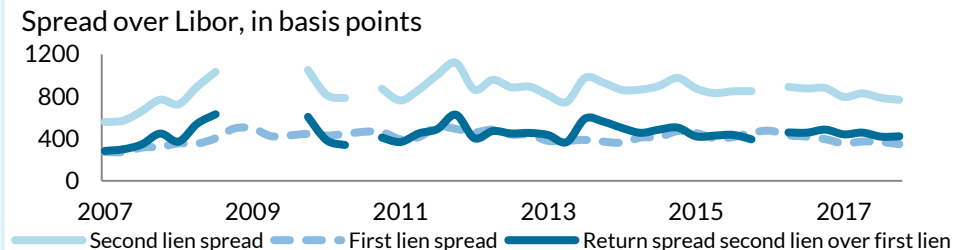
Equity cushions are much more robust than in 2007



Tighter spreads but still above pre-crisis



Second lien to first lien loan spread ratio attractive¹



¹ Data shows US senior and second lien spreads based on Libor.

² Source: Partners Group, Q4 2017 S&PLCD Quarterly review



Key investment strategies and transformative trends: private real estate

Private real estate

- **Buy below replacement cost** – reposition assets with low valuations in rebounding markets
- **Buy, fix and sell** – target older assets in good locations in need of owner-oriented asset management
- **Develop core** – selectively develop properties in markets with strong long-term fundamentals

Demographic shifts



Market opportunity:

Drive towards urbanization (EMs) and shift towards affordable locations (advanced world)

Relative value / investment focus:

- Focus on global cities with strong employment & population growth
- Develop affordable class A / update class B apartments
- Generate return from construction, lease up & sale

New urbanism



Market opportunity:

Trend towards 'work-live-play' in areas with high population / employment growth

Relative value / investment focus:

- Invest in modern, centrally located offices offering high amenity & good public transport within near vicinity
- Acquire vacancy and rental streams where we can move rents up and capture market growth

Growth of e-commerce



Market opportunity:

Global growth of online and multi-channel retail

Relative value / investment focus:

- Emergence of XXL logistics units near major transport interchanges
- Smaller 'last mile' logistics units located in urban centres
- Underweight the majority of bricks-and-mortar retail



Key investment strategies and transformative trends: private infrastructure

Private infrastructure

- **Market-leading platforms** – build scale in fragmented markets with potential for consolidation
- **Build core** – focus on specific types of infrastructure supported by strong long-term fundamentals
- **Value enhancement potential** – enhance operational value with growth and efficiency improvements

Global growth of renewable energy



Market opportunity:

USD >5tn of renewable energy investment required in the next 10 years

Relative value / investment focus:

- Strong regulatory support while cost-competitiveness continues to increase
- We focus on renewable energy platforms in attractive markets

Communication infrastructure



Market opportunity:

Annual IP traffic will more than double by 2020, reaching 2.3tn GB (1.1tn as of 2016)

Relative value / investment focus:

- Inelastic demand and supportive regulatory environment create strong sector tailwinds
- We focus on projects profiting from high entry barriers and we build on our existing platforms

Commodity/power price correction



Market opportunity:

>USD 300bn of natural gas infrastructure capital expenditure is expected over the next 20 years in North America

Relative value / investment focus:

- Broad demand and supply driven infrastructure not dependent on basin-specific upstream risks
- We focus on portfolios of contracted assets underpinned by favorable demand and/or supply economics

There is no assurance that the above market projections will materialize. For illustrative purposes only.
Source: Partners Group Private Markets Navigator, Outlook 2018, Partners Group research (2017), Bloomberg New Energy Finance "2030 Market Outlook" report (June 2014).



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Investment examples - Private equity & debt portfolio

1 Direct equity (North America)



KinderCare - one of the largest American childcare groups and providers of early childhood education

Value creation initiatives:

- Improve center-level performance with new system and incentive changes
- Drive corporate sales by increasing presence in under represented markets
- Execute M&A in highly fragmented market

2 Direct equity (Europe)



Foncia - market leading property management service provider with a highly resilient business model

Value creation initiatives:

- Organic growth through cross-selling
- Consolidation of fragmented sector
- Optimize costs by creating shared services

3 Private debt (North America)



Acrisure - retail insurance brokerage that provides insurance and risk management solutions

Characteristics:

- Consolidator within the fragmented middle market segment that has made 100+ acquisitions since 2013
- Partners Group has a long-standing relationship with Acrisure



Investment examples - Real assets portfolio

1 Real estate secondary (Europe)



Project Fersen – a tail-end real estate portfolio of retail, hotel, office and logistic assets across Sweden and Finland.

Characteristics:

- Buy-out of pre-crisis program
- Mature, diversified portfolio with value-added features
- Income-driven return profile

2 Infrastructure direct (Americas)



Fermaco - Fermaco builds, owns and operates pipelines and other related energy assets in Mexico

Characteristics/value creation:

- Strong management team
- Expand customer base by contracting new gas supply clients
- Improve efficiency by institutionalizing internal functions

3 Listed infrastructure (USA)



American Water Works - provider of drinking water, wastewater and other water-related services in 47 states

Characteristics:

- Privatization and consolidation in the water industry
- Non-cyclical cash flows
- Attractive, ROE based regulation
- Best in class operations

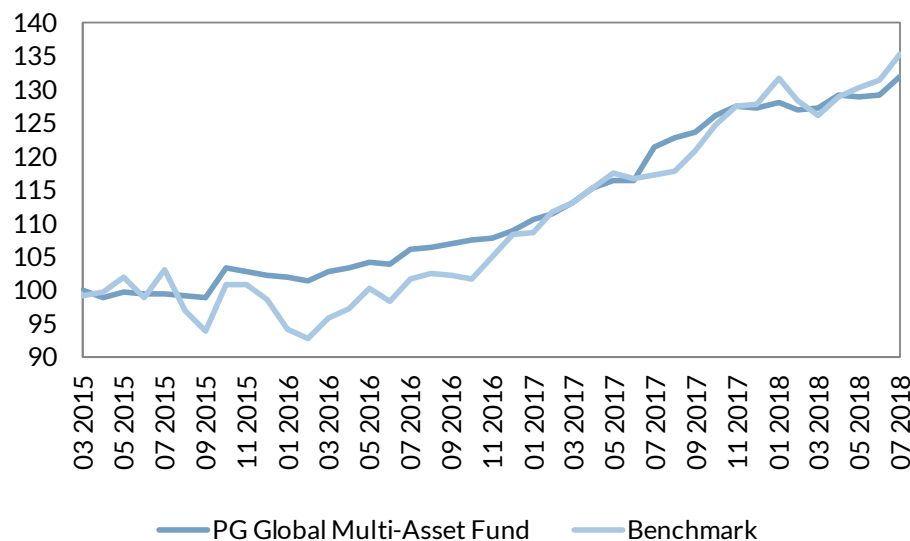


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PG Global Multi-Asset Fund: performance

NAV development



Risk/return characteristics

| | PG Global Multi-Asset Fund | MSCI World ¹ |
|--------------------------|----------------------------|-------------------------|
| Return (since inception) | 31.9% | 35.4% |
| Return p.a. | 8.6% | 9.4% |
| YTD | 3.8% | 5.9% |
| Volatility | 4.1% | 9.0% |
| Max. draw down | -2.7% | -15.7% |
| Equity correlation | 0.40 | n/a |
| Beta to equity | 0.15 | n/a |

| 1 mth | 3 mths | 6mths | 1 yr | 2 yrs | Since Inception |
|-------|--------|-------|-------|--------|-----------------|
| (%) | (%) | (%) | (%) | (%pa) | (%pa) |
| 2.17% | 2.29% | 3.10% | 8.76% | 11.67% | 8.64% |

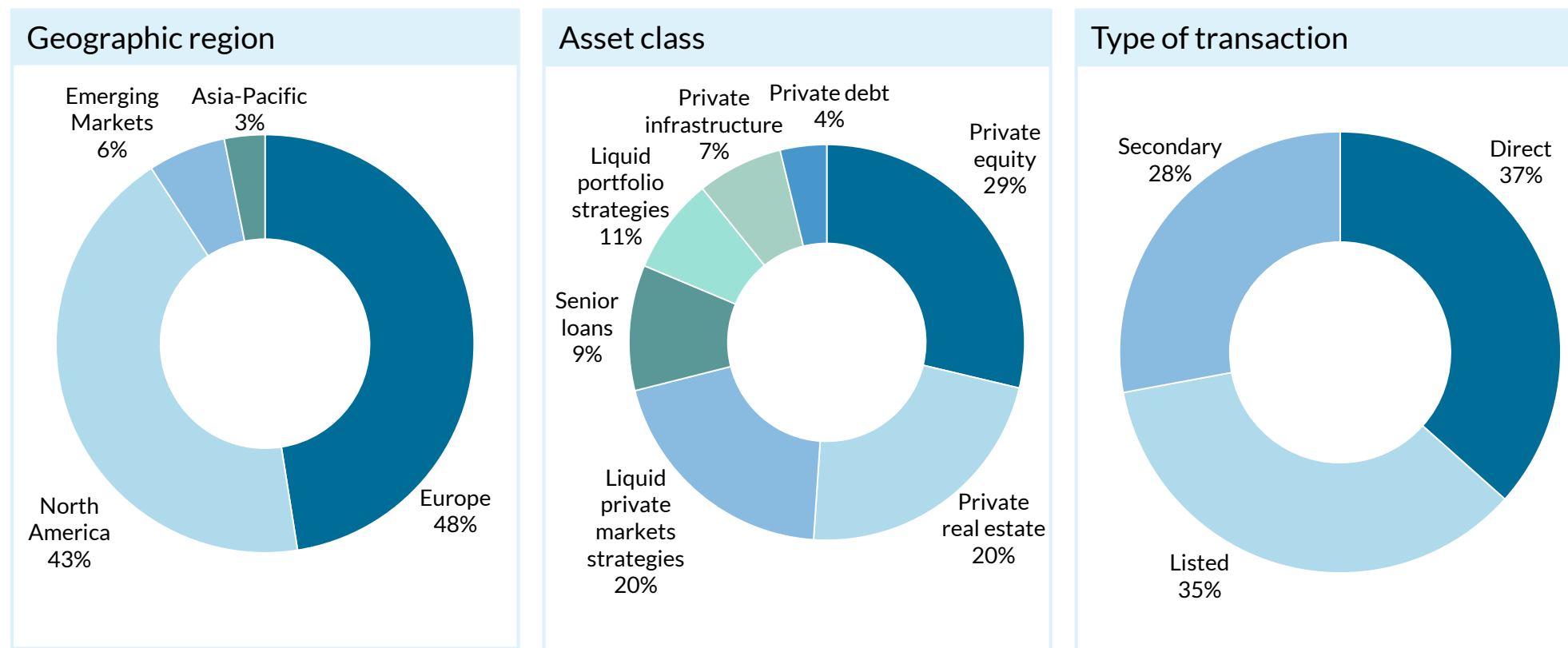
Strong performance since inception with low volatility and low beta

Past performance is not indicative of future results. For illustrative purposes only. Source: Partners Group and Bloomberg as of 31 July 2018. PG Global Multi-Asset Fund performance figures are net of Partners Group and underlying manager fees. 1 MSCI World 70% Hedged to AUD Net Total Return comprises 70% MSCI World hedged in AUD (Bloomberg: WHANOHAN)+ 30% MSCI World local unhedged (Bloomberg: NDDUWI). The inclusion of this benchmark is used for comparison purposes and should not be construed to mean that there will necessarily be a correlation between the fund/investment return and the benchmark.



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PG Global Multi-Asset Fund: current asset allocation



Partners Group Global Multi-Asset Fund is a global diversified "all weather" portfolio with significant allocations to direct and secondary investments



The Partners Fund performance

Monthly performance in % (net of all fees)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|
| 2003 | -0.0 | 0.6 | 0.1 | 1.0 | 1.1 | -0.2 | -0.9 | 0.2 | 0.7 | 1.8 | 0.2 | 1.4 | 6.2 |
| 2004 | 1.3 | 1.7 | 0.3 | -2.0 | -0.4 | -0.1 | -0.7 | 0.1 | 1.8 | 0.6 | 3.1 | 2.0 | 7.6 |
| 2005 | -1.2 | 1.9 | -0.6 | -0.6 | 0.5 | 1.1 | 1.2 | 0.5 | 4.3 | -1.8 | 0.3 | 1.1 | 7.0 |
| 2006 | 2.7 | 0.1 | 1.6 | 2.7 | -1.1 | 0.0 | 0.1 | -0.2 | 1.7 | 1.8 | 1.7 | 1.0 | 12.6 |
| 2007 | 0.1 | 0.3 | 1.0 | 4.6 | 1.4 | 0.5 | 1.3 | -0.4 | 2.9 | 2.0 | -1.9 | 0.0 | 12.3 |
| 2008 | -2.1 | 0.4 | -1.2 | 0.6 | 1.2 | 0.3 | -1.4 | -2.0 | -3.7 | -1.2 | -4.9 | -1.8 | -14.7 |
| 2009 | -2.9 | -1.9 | -0.4 | -7.5 | 0.1 | -1.8 | 2.1 | 1.4 | 4.4 | 1.2 | 0.7 | 2.5 | -2.6 |
| 2010 | 0.1 | 0.5 | 3.4 | 0.7 | -0.9 | 0.9 | 2.0 | 0.2 | 3.2 | 1.5 | 0.4 | 4.2 | 17.4 |
| 2011 | 0.6 | 0.9 | 3.2 | 2.7 | 0.5 | 0.6 | 0.5 | -0.1 | -0.9 | 2.7 | -0.7 | -0.1 | 10.2 |
| 2012 | 1.1 | 0.8 | 0.8 | 1.1 | -1.4 | 0.4 | 0.4 | 0.2 | 0.7 | 0.2 | 0.8 | 1.2 | 6.5 |
| 2013 | 2.8 | 0.3 | 0.4 | 1.0 | 1.0 | 1.3 | 0.9 | 0.4 | 1.3 | 1.2 | 0.3 | 1.8 | 13.5 |
| 2014 | 0.1 | 1.5 | 2.3 | 1.2 | 0.1 | 1.6 | 1.2 | 0.0 | 1.1 | 1.4 | 0.4 | 0.4 | 12.0 |
| 2015 | 0.2 | 1.0 | 0.9 | 1.3 | 0.4 | 1.1 | 0.6 | -0.2 | 0.0 | 2.2 | 0.0 | 0.7 | 8.5 |
| 2016 | 0.4 | -0.6 | 1.9 | 1.4 | 0.5 | 1.1 | 1.2 | 0.0 | 1.3 | 0.5 | 0.6 | 0.8 | 9.5 |
| 2017 | 1.6 | 0.2 | 0.8 | 1.7 | 0.6 | 1.4 | 1.9 | 0.1 | 1.5 | 0.4 | 0.4 | 0.4 | 12.6 |
| 2018 | 1.2 | -0.3 | 0.4 | 0.4 | -0.1 | 2.0 | 1.2 | | | | | | 5.0 |

Attractive returns with moderate volatility

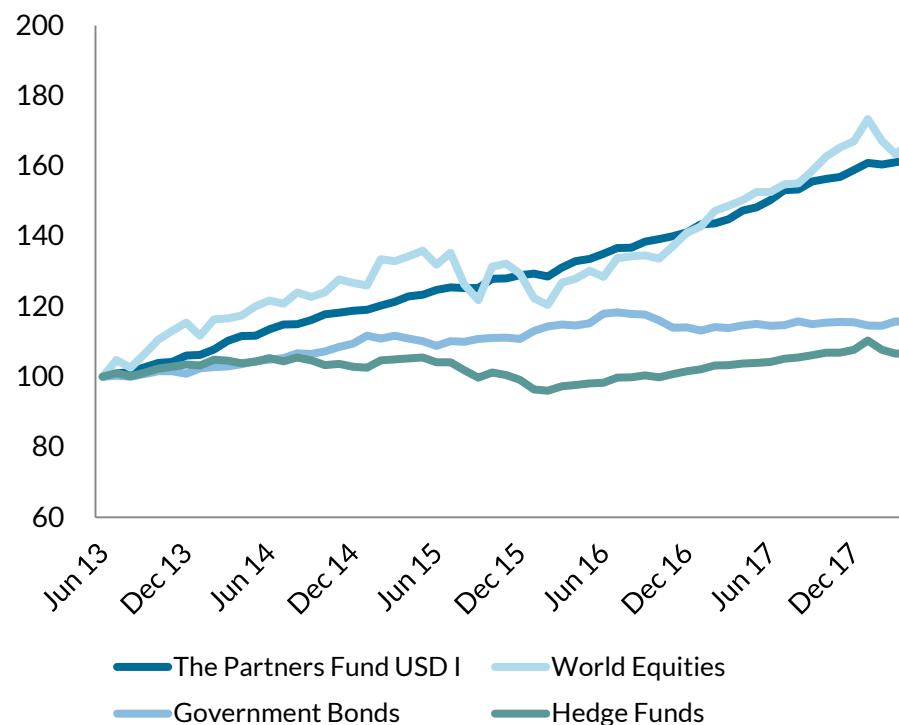
Past performance is not indicative of future results. For illustrative purposes only. Source: Partners Group, The Partners Fund USD I class as of 31 July 2018



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Partners Fund - Attractive track record: last 5 years

NAV development



Risk/return characteristics

| Last 5 years | The Partners Fund | Hedge Funds | World Equities | Government Bonds |
|--------------------|-------------------|-------------|----------------|------------------|
| Annualized return | 10.5% | 1.3% | 11.1% | 2.9% |
| Cumulative return | 64.8% | 6.8% | 69.2% | 15.6% |
| Max DD | -0.6% | -8.9% | -11.4% | -4.3% |
| Volatility | 2.3% | 3.6% | 9.2% | 2.8% |
| Equity correlation | 0.42 | 0.87 | 1.00 | -0.14 |
| Beta to equity | 0.11 | 0.34 | 1.00 | -0.04 |
| Alpha over equity | 9.3% | -2.3% | 0.0% | 3.5% |

Attractive risk/return profile and substantial alpha creation

Past performance is not indicative of future results. For illustrative purposes only. Source: Partners Group, The Partners Fund USD I class as of 30 June 2018, net of all fees. For Hedge Funds the HFRX Global, World Equities the MSCI World Equity Index and Government Bonds the Citi WGBI Local Index as of 30 June 2018 were used. There is no assurance that similar results will be achieved. The inclusion of this index/benchmark is used for comparison purposes and should not be construed to mean that there will necessarily be a correlation between the fund/investment return and the index/benchmark.



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Partners Group Global Multi-Asset Fund



Strong partner

- Access to the Partners Group platform, a leading independent private markets investment manager with a global presence
- The manager has invested in private and public markets since 1996

Global approach

- Global relative value approach across asset classes and regions aiming to identify the most attractive opportunities
- Significant yield and liquidity through allocation to a broad range of private market related credit and listed investments

Investment approach with a private market angle

- Benefit from insight on global relative value and industry trends from a AUD >106bn private market investment platform
- Target attractive risk-adjusted net return with significant diversification benefits to traditional investments¹⁾

Innovative semi-liquid structures

- Daily liquidity at NAV subject to a max of 10% net redemptions per day, 25% per month and 40% p.a.
- Available direct with 20k
- Platforms - Macquarie Wrap, BT Wrap/Panorama, HUB24, Netwealth and CFS FirstWrap

1) There is no assurance that target returns will be achieved. Diversification does not assure a profit or protect against loss.



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D.v. 1.6.2016



Partners Group
REALIZING POTENTIAL IN PRIVATE MARKETS

September 2018

An ABC of trend following

Presented by **Steve Shepherd**
Head of Asia Pacific

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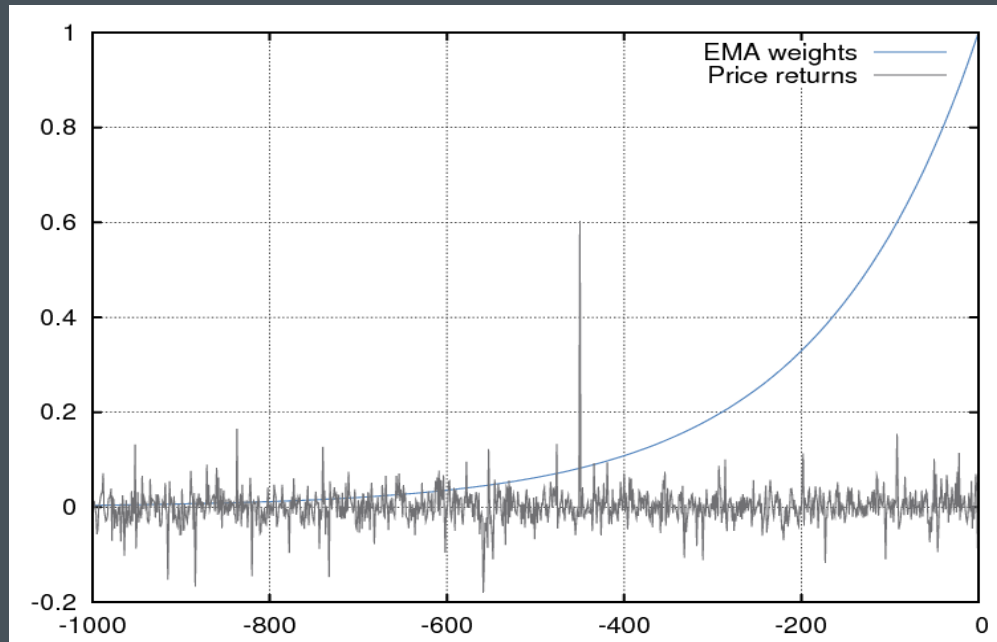
Agenda

- 1 What is trend following?
- 2 Trend following and raison d'être: Why do we believe in it?
- 3 You want trend following in your portfolio because...
- 4 What to expect from a trend following strategy
- 5 CFM: ISTrends Trust Class A and Class B
- 6 To take away

What is trend following: Let's start with the basics!

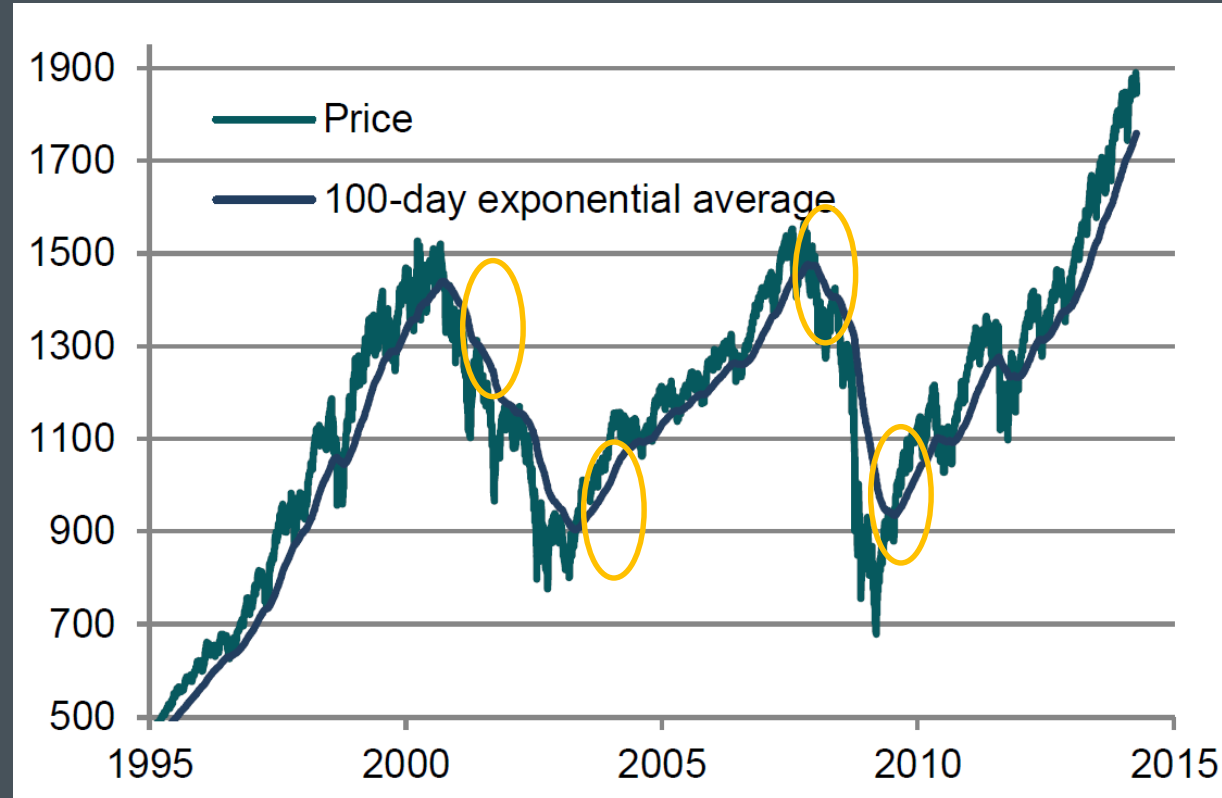
- ▶ We can define a trend following signal as $TF = p - \bar{p}$. (The average can, as you might imagine, be an EMA.)
- ▶ This predictor can be rearranged as $TF = p - EMA(p) = EMA(\delta p)$ which is defined as follows:

$$TF_{\tau}(t) = EMA_{\tau}(\delta p(t)) = \sum_{t' < t} e^{-t'/\tau} \delta p(t') = \sum_{t' < t} w_{t'} \delta p(t')$$



What is trend following: Moving on to trend following for real people!

- ▶ Price increases are followed by further increases and price declines by further price declines
 - > Simply stated, we want to buy when things are going up, and sell when they are going down!



What is trend following: Perspective - Trend following is everywhere!

Many studies (and experience) show that humans have a strong propensity to follow trends ...

► Fashion trends: from the boring to the outrageous



The everyday salaryman in uniform



“Stars like Jonah Hill, Shia LaBeouf, Post Malone, Wiz Khalifa and Justin Bieber dress like dorm-room slackers, supercharged with AmEx black cards.”
- WSJ Aug 27/18

What is trend following: Perspective - Trend following is everywhere!

Many studies (and experience) show that humans have a strong propensity to follow trends ...

► Food trends: Why do we line up?



What is trend following: Perspective - Trend following is everywhere!

Many studies (and experience) show that humans have a strong propensity to follow trends ...

- ▶ Music trends: Waiting to see *The Beatles*, Melbourne, June 1964



What is trend following: Perspective - Trend following is everywhere!

Many studies (and experience) show that humans have a strong propensity to follow trends ...

► Housing trends: San Francisco in the '60s



“

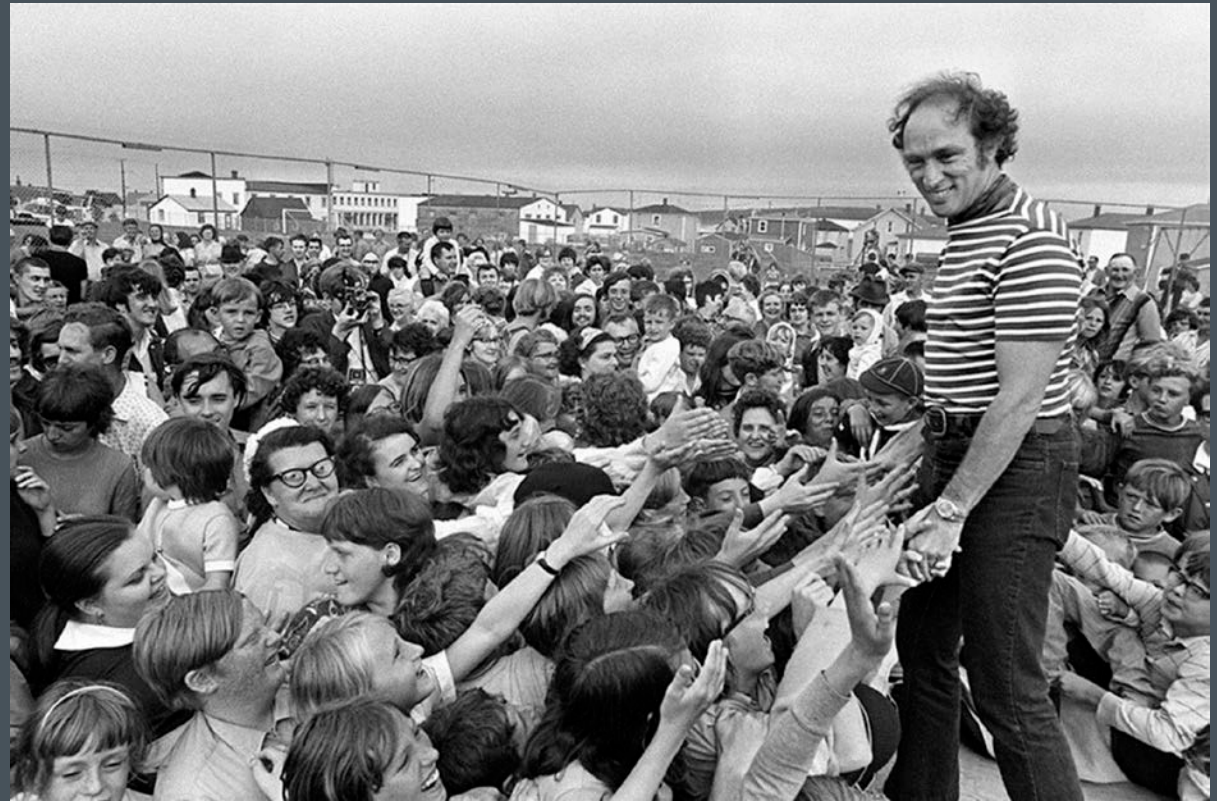
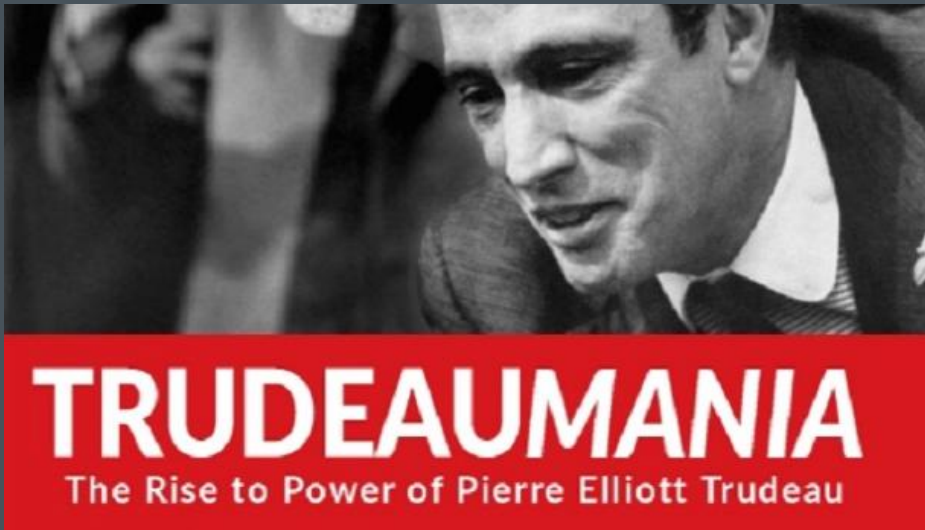
Little boxes on the hillside
Little boxes made of ticky-tacky
Little boxes on the hillside
Little boxes all the same
There's a green one and a pink one
And a blue one and a yellow one
And they're all made out of ticky-tacky
And they all look just the same

Malvina Reynolds

What is trend following: Perspective - Trend following is everywhere!

Many studies (and experience) show that humans have a strong propensity to follow trends ...

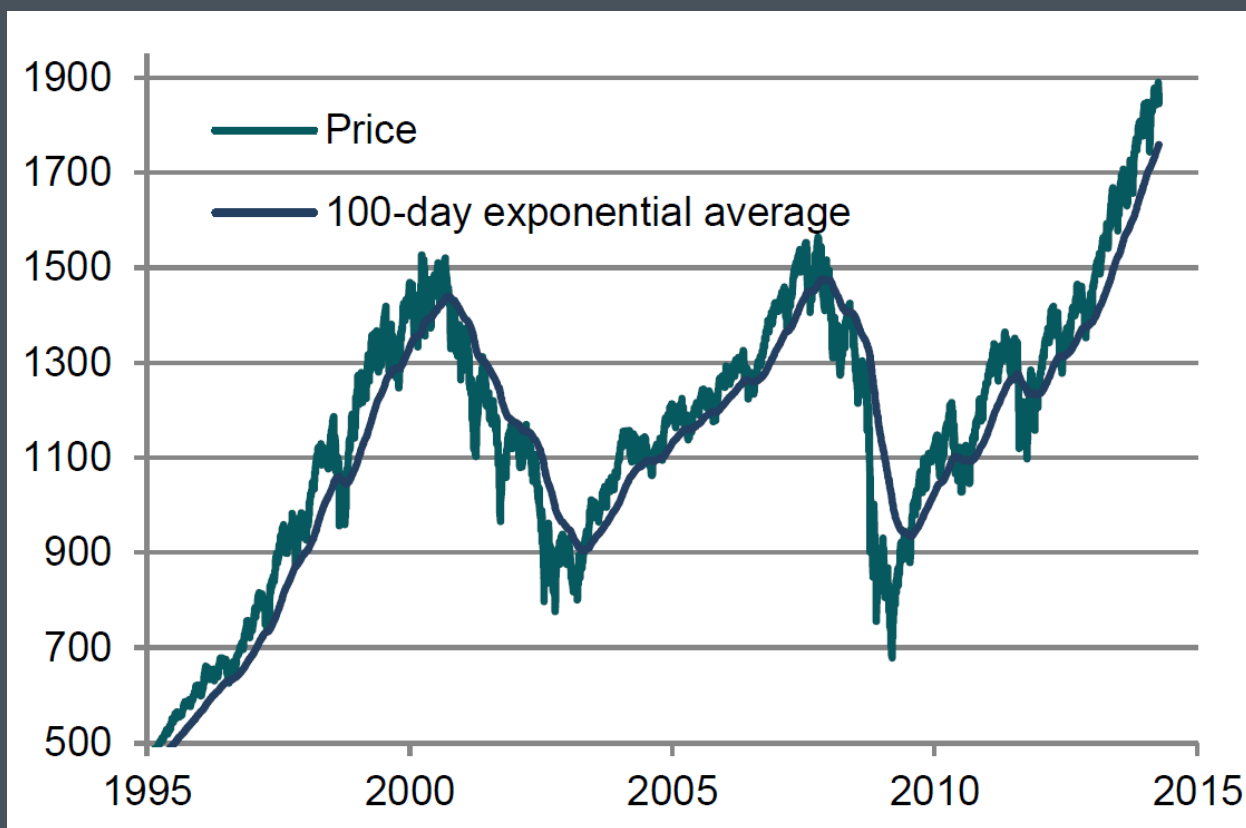
► Political trends: Canada in the 70s



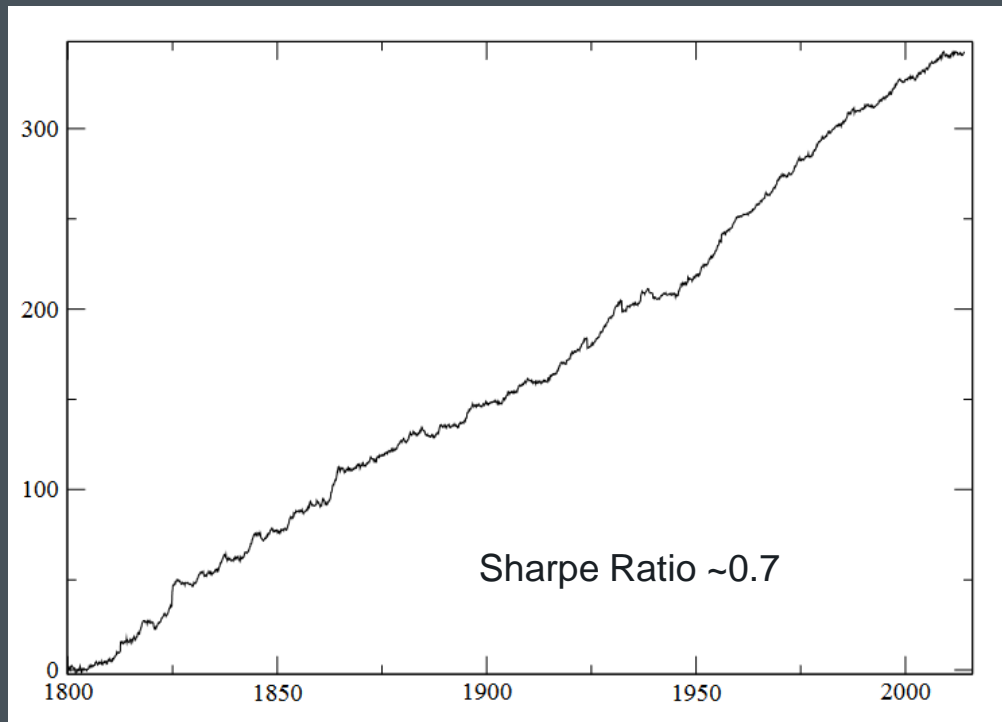
What is trend following: Perspective - Trend following is everywhere!

Many studies (and experience) show that humans have a strong propensity to follow trends ...

► And, of course, the markets!



Trend Following and *raison d'être*: Why do we believe in it as a strategy?



**Stock indices (1800), Bonds (1918), Currencies (1973),
Commodities (1800)**

Source: CFM

Persistence: Over 200 years of evidence

Plausibility: Clearly a salient human behavioural trait

Robustness: Works on every asset class, across many implementations

Scalability: Slow turnover and high instrument liquidity reduce trading costs and risk of crowding

You want trend following in your portfolio because: *It has attractive risk characteristics*

► Attractive risk characteristics versus other common portfolios

| Measure of Risk | Trend Following | Hedge Funds | Global Equities | Global Fixed Income | 60/40 Portfolio |
|---------------------------------|-----------------|-------------|-----------------|---------------------|-----------------|
| Annualised Volatility | 8.7% | 6.2% | 15.5% | 5.8% | 10.2% |
| Maximum Drawdown | -11.6% | -21.4% | -53.7% | -10.1% | -36.1% |
| Date of Max Drawdown | Sep 13 | Feb 09 | Feb 09 | Oct 08 | Feb 08 |
| Length of Max Drawdown (months) | 42 | 35 | 69 | 23 | 46 |

Source: AIMA Managed Futures, Bloomberg, Societe Generale, Hedge Fund Research, AIMA Research. Based on monthly return data between January 2000 and December 2016.

The following indices were used: Global Equities – MSCI World Total Return; Global Fixed Income – Barclays Global Aggregate; Managed Futures – Societe Generale CTA Index; Hedge Funds – HFRI Fund Weighted; 60 / 40 Portfolio – 60% MSCI World Total Return and 40% Barclays Global Aggregate.

You want trend following in your portfolio because: *It adds diversification, notably in periods of stress*

► A diversifying source of returns in periods of stress

| Event | Date | S&P500 (%) | Trend Following (%) |
|--------------------------------|-----------------|------------|---------------------|
| 87 Crash | Oct-Nov 87 | -28.4 | -3.0 |
| Lehman collapse | Aug-Nov 08 | -24.5 | 5.9 |
| Euro crisis | May-Sep 11 | -17.0 | 2.1 |
| Mexico crisis | Dec 81 – Feb 82 | -10.5 | 2.3 |
| 2nd Gulf War | Dec 02 – Mar 03 | -10.2 | 3.9 |
| Sub Prime Crisis | Nov 07 – Feb 08 | -10.2 | 2.5 |
| Russian Crisis | Aug-Sep 98 | -9.3 | -0.3 |
| 9/11 | Sep 01 | -8.2 | 1.5 |

Source: CFM

You want trend following in your portfolio because: *Diversification improves portfolio risk adjusted returns*

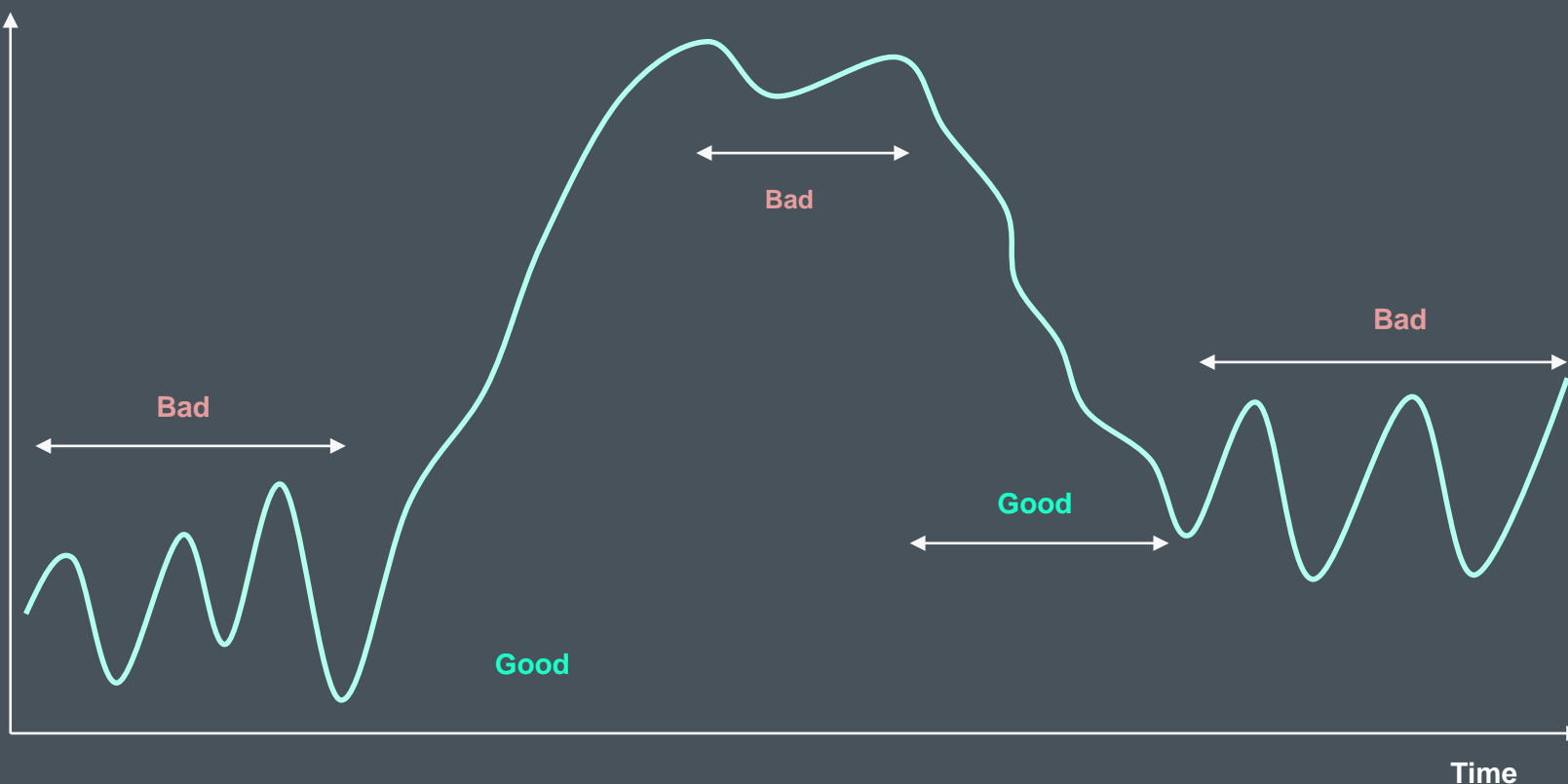
- ▶ Low correlation to other asset classes (equities, bonds, infrastructure, property) and a healthy Sharpe Ratio make possible a more efficient portfolio



Source: Investopedia

What to expect from a trend following strategy: *Best to have appropriate expectations!*

- Like every investment strategy, trend following can go through difficult times



What to expect from a trend following strategy: *A few things you should know*

- ▶ **Trend following can lag when markets go sideways, or are range-bound**
- ▶ **Instantaneous correlations can vary widely: this is a *directional* strategy, so you may be long or short one or more markets. As a result,**
 - > Trend following is not a market hedge: sudden gaps in the market may incur drawdowns!
- ▶ **As with any strategy (significant volatility, modest Sharpe Ratio), large drawdowns can occur**
 - > This may sometimes be hard to understand and, hence, challenging to explain to your clients!

What to expect from a trend following strategy: *Performance may vary widely from one year to the next!*

Monthly returns of CFM ISTrends LP (Offshore USD benchmark strategy, 10% volatility†)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|
| 2013 | -0.6 | 0.1 | -1.6 | 2.3 | -1.3 | -5.5 | 0.8 | -0.6 | 0.7 | 2.5 | 6.8 | 0.1 | 3.5 |
| 2014 | -1.8 | 4.0 | -2.4 | 1.6 | 0.7 | 2.9 | -1.0 | 2.8 | 5.0 | 4.8 | 8.0 | 4.6 | 32.7 |
| 2015 | 6.5 | 0.5 | 4.7 | -4.7 | 3.2 | -3.4 | 6.2 | -1.6 | 0.3 | -2.0 | 3.3 | -1.4 | 11.4 |
| 2016 | 3.6 | -0.5 | -5.7 | -2.4 | 1.5 | 3.7 | 1.9 | -1.2 | 2.2 | -6.1 | -3.1 | -0.4 | -6.8 |
| 2017 | 0.8 | 2.6 | -3.3 | 0.8 | 2.3 | -5.0 | 2.1 | 2.1 | -1.1 | 4.1 | 0.8 | 2.0 | 8.1 |
| 2018 | 6.1 | -7.1 | 0.1 | 0.9 | -2.4 | -0.4 | 0.4 | 4.9* | | | | | 2.1* |

- Month-end estimate, subject to revision

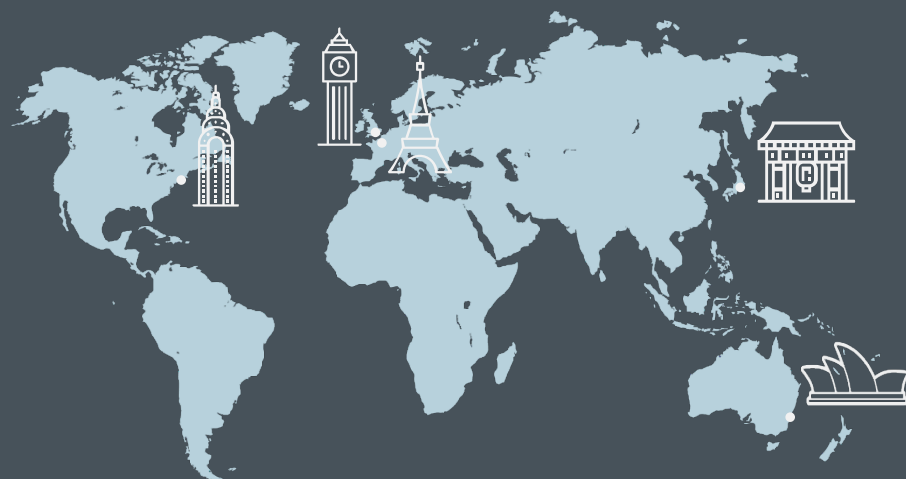
† The offshore benchmark strategy is CFM ISTrends Fund LP - USD 10%, which has a different fee structure, expenses and a slightly different trading universe relative to CFM ISTrends Trust

CFM ISTrends Trust Class A and Class B provide top tier, yet low cost, options to diversify your portfolio

| | CFM ISTrends Class A (10% Volatility) | CFM ISTrends Class B (15% Volatility) |
|------------------------------------|--|---|
| Ratings | Lonsec: Highly recommended Zenith: Recommended | Lonsec: Highly recommended Zenith: Rating in process |
| Asset Classes | Bonds, Currencies, Short Term Interest rates, Commodities, Equities (100+ markets) | |
| Fees and Expenses | | |
| Management Fees | 0.60% p.a. | 1.125% p.a. |
| Capped Fund Expenses | 0.20% p.a. | 0.30% p.a. |
| Performance Fees | 10% above zero | Nil |
| Buy Sell Spread | Nil | Nil |
| Pricing & Distributions | Daily & Annual | |
| Platforms | Hub24, Netwealth, Powerwrap | Hub24 |

Founded in 1991 CFM is a global leader in quantitative/systematic investment management

Global reach



BASED IN PARIS

WITH OFFICES IN LONDON | NEW YORK | TOKYO | SYDNEY

**WE TRADE LIQUID
INSTRUMENTS
ACROSS GLOBAL
MARKETS INCLUDING**
FUTURES
EQUITIES
BONDS
OPTIONS
SPOT & FORWARD FX
CREDIT

Firm



220+
EMPLOYEES



30+
NATIONALITIES

WHO SHARE A CULTURE OF
**INNOVATION
COLLABORATION
HUMILITY**

Our approach

**QUANTITATIVE
SYSTEMATIC
ASSET
MANAGER**

History



27 YEARS



FOUNDED
1991

Trading

US\$10.7 AUM
BILLION

α US \$5.7 BILLION

Alt β US \$5.0 BILLION

Investment process

RESEARCH AND
TECHNOLOGY
ENABLE OUR



SCIENTIFIC
APPROACH
TO FINANCE

To take away

► Trend following

- > is a persistent, robust, behaviourally driven investment strategy
- > provides diversification to portfolios, even during periods of market stress
- > offers sometimes lumpy return streams

► Diversified portfolios can

- > provide improved risk / return profiles
- > offer a smoother path of returns and improved investment outcomes

► CFM

- > is a world class provider of diversifying investment strategies, including trend following
- > offers a top tier, yet cost effective, portfolio diversification option via CFM ISTrends Trust, at a choice of two volatility targets: Class A (10%) and Class B (15%)

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