

Inflection Performance: July 2016

Global equity markets performed well in July. The S&P 500 rallied alongside the other major indices and the best performance came from emerging markets. Emerging markets also saw considerable inflows as investors continued their search for yield and continued to reduce their relative underweighting of the asset class. After the sharp rally experienced in June, fixed income was more range-bound. A strong US jobs number rekindled rate hike expectations for later this year but continued Quantitative Easing by central banks and low commodity prices has kept yields contained for now.

The broad economic picture remains basically unchanged. At the global level, growth is around trend with better performance coming from emerging economies over the past few quarters. In the developed economies, the consumer continues to drive tepid growth, but companies remain hesitant to spend in any meaningful way on capital expenditures while capacity utilization remains low. The US continues to create jobs (of questionable quality) at a moderate pace, and somewhat shakily wears the mantle of most stable major economy.

In typically benign summer mode, volatility remained low as people apparently preferred to focus on their holidays rather than the limits of extraordinarily accommodative monetary policy. As the traditional arsenal of central banks passed the point of diminishing returns some time ago, financial markets are attempting to function with theoretical and wholly untested shock techniques like negative interest rates.

Maybe focusing on a good tan is indeed more sensible after all!

In July ISOF's net return was 0.48% bringing our year to date net return to -5.35%. By comparison, the HFRI Fund Weighted Composite Index returned 1.77% for the month (2.99% Year To Date), the S&P TSX Index returned 3.91%, (14.12% YTD) and the Barclays Global Aggregate Bond Index Index gained 0.75% in June (9.78% YTD). The Scotiabank Canadian Hedge Fund (Equal Weighted) Index gained 2.98% in July (6.72% for the year).

Since inception in October 2010, ISOF has produced a return of 21.50% outperforming the Scotiabank Canadian Hedge Fund Index by 7.69%, underperforming the HFRI Hedge Fund Index by -0.05%, and the Barclays Global Aggregate Bond Index by 8.23%. With only 59% of the volatility, ISOF has trailed S&P TSX Index during the period by 18.46%, with a Sharpe ratio of 0.54 and a correlation to the S&P TSX Index of 0.57.

The Inflection Strategic Opportunities Fund ('ISOF') was up 0.48% in July. Gains were broad based and 13 of our 17 managers contributed positively for the month. The largest gainers were our volatility strategies, providing 0.54% of the July return, followed by European Credit, up 0.29%, and Community Banking, up 0.25%. The largest detractors were Energy Trading, down -0.67%, followed by our Short Credit strategy, -0.56%.

Sincerely,
The Inflection Team

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The Inflection Strategic Opportunities Fund (ISOF) invests in a broad array of carefully selected hedge fund strategies in order to capitalize on dislocations and market opportunities. The Fund has a global mandate and focuses primarily on the Americas, Europe and Asia, providing access to the expertise of hedge fund managers in identifying what we believe are exceptional investment opportunities throughout the world. Some taxable investors may find that the Fund's option structure has significant tax benefits. Please refer to the attached Factsheet for additional information.

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Disclaimers

ISOF performance presented are USD net returns after investment management and performance fees and is not an estimate of any specific investor's actual performance, which may be materially different from such performance depending on numerous factors. ISOF returns represent historical returns adjusted for the June 2015 performance fee structure change to the current fee structure. Information presented is believed to be correct and accurate at the time of production but may change due to circumstances beyond our control. Returns may be amended after these numbers have been reported due to repricing adjustments or receipt of more recent data, among other things, and will be reflected in the most recent document. Comparative returns selected are for informational purposes only and may or may not accurately represent the composition or potential performance of Inflection Strategic Opportunities Fund and may not be useful for comparison purposes. The HFRI Fund Weighted Composite Index is a global, equal-weighted index of over 2,000 single-manager hedge funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollars and have a minimum of \$50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds. The S&P/TSX Composite Index (Net TR) is the Net Total Return version of the S&P/TSX Composite Index and is presented in Canadian Dollars. The Net Total Return Index Value is based on the aggregate, float quoted market value of the index constituents (Stock Price Index Value) plus their paid net dividends/distributions after applying a withholding tax at the national level. The Barclays Global Aggregate Bond Index is a market capitalization-weighted index denominated in US Dollars representing the universe of investment grade bonds available for purchase in the United States, securities underlying the index include Treasuries, Agencies, Mortgages, and Corporate Bonds. ISOF is an exempt market fund available to Canadian resident accredited investors in British Columbia, Alberta, Saskatchewan, Ontario, and Quebec and to a limited investor base in certain provinces under the Minimum Amount exemption. Investing involves risk. Please seek professional advice before making any investment. This is not an offer to purchase or sell securities. It is for information only. Please refer to the Confidential Information Memorandum for more detailed information.