

Inflection Performance: January 2018

Welcome ULTRA!

January marked the launch of our new ULTRA fund. After long preparations we were heartened to see that everything worked as expected, with a net return in the USD class of 0.93% (Series A) compared to ISOF's 0.73% (Series A) for the month.

ULTRA was designed to leverage the improvements made to ISOF over the last 18 months for investors seeking a higher return. ULTRA follows the same investment philosophy as ISOF, investing in a diversified basket of high quality international alternative investment managers with the goal of producing a robust risk-adjusted return uncorrelated to the assets our investors already own. ULTRA utilizes the same approach for manager selection and portfolio construction as ISOF but incorporates an additional turn of leverage to target 12-15% net returns (vs. ISOF's 8-10% target). The additional leverage produces additional risk (target annualized volatility of 6-9% for ULTRA vs. 4-6% for ISOF,) but both still aim to be a fraction of the 15.32% annualized volatility of the S&P TSX Total Return Composite Index (since 1978), and therefore can be considered lower risk investments than the stock market.

Higher *risk-adjusted* returns mean taking on less risk for the same return, or getting a better return for the same level of risk. Either of those is a markedly more efficient return on investors' capital, worthy of consideration for anyone interested in long-term wealth preservation.

Contribution

ISOF Series A was up 0.73% in January, bringing its 12-month trailing return to 6.25%. Ultra Series A, which adheres to the same investment philosophy as ISOF but with a higher degree of leverage, was up 0.93% in its first month of trading.

In both funds, the best two performing managers in January were our worst two performers in 2017: ALP, a CTA, provided 0.40% to net performance and AND, our energy specialist, provided 0.21% to net performance for ISOF Series A investors. As discussed in last month's commentary, a calendar year is often a poor way to measure the success of a macroeconomic play or investment strategy, and we expect that both ALP and AND can continue to redeem their 2017 performance in 2018.

There were no meaningful detractors on the month with the remaining 19 strategies contributing in a range of +0.14% to -0.12%

Sincerely,

The Inflection Team

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The Inflection Strategic Opportunities Fund (ISOF) and the Inflection Strategic Opportunities Fund Ultra (Ultra) invest in a broad array of carefully selected hedge fund strategies in order to capitalize on dislocations and market opportunities. The funds have global mandates and focus 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 funds' option structure has significant tax benefits. Please refer to the attached Factsheet for additional information.

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Disclosure

ISOF/Ultra 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 ISOF/Ultra 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/Ultra are exempt market funds available to Canadian resident accredited investors in British Columbia, Alberta, 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.