

## Inflection Performance: March 2018

### Contribution

Both ISOF and ULTRA were close to flat in March with ISOF -0.03% and Ultra -0.32% for Series A USD investors.

There were no large positive or negative outsized moves during March, and our weekly estimates for the portfolio were in a tight range of 0.11% to -0.06% during the month. By contrast, the S&P TSX had weekly estimates ranging from +1.96% to -1.21% and the S&P 500 ranged from +2.75% to -4.50% over the same period.

Our largest contributor in March was RID, a quantitative market neutral equity manager, up 4.48% on the month and contributing 0.38% to performance, and our second largest contributor was CBH, a market neutral equity manager focused on consolidation in the regional banking sector, up 1.44% and contributing 0.16% to performance. Our third largest contributor was VER, a multi-strategy manager with a large allocation to appraisal rights (a form of merger arbitrage), up 1.26% on the month and contributing 0.12% to performance.

Our largest detractor was HUN, an arbitrage manager, who saw spreads temporarily widen and was consequently down -2.30% on the month and detracted -0.24% from performance. A second detractor was PCO, a manager focused on convertible bond arbitrage, who was down -1.40% and detracted -0.12% from performance, and our third largest detractor was PIN, another arbitrage-focused manager, down -0.75% and taking -0.11% from performance.

March marked the end of the first quarter, which saw a return to a more normalized level of volatility in equity markets as the market digested the cross currents of increased earnings from tax cuts and rising rates due to increasing deficits and rising inflation. The Federal Reserve is now actively removing stimulus from the system, which “unloads” its short volatility position (i.e. it will likely increase market volatility), and the ECB is expected to follow in the Fed’s footsteps later this year. This return to normalcy and the prevalence of late cycle indicators bodes well for our market-neutral and arbitrage strategies for the remainder of the year and beyond.

Both ISOF and ULTRA continue to meet our investors’ objectives of protecting capital with a fraction of the volatility of the S&P TSX.

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.*

Inflection Management Inc.  
Suite 2300 - 1066 West Hastings Street  
Vancouver, British Columbia  
Canada V6E 3X2

Tel: 604.730.9147  
[www.inflectionmanagement.com](http://www.inflectionmanagement.com)

### 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 Scotiabank Canadian Hedge Fund Equal Weighted Index (SCHF | Equal Weighted) is an equal weighted index intended to represent a comprehensive overview of the Canadian Hedge Fund universe. The index includes both open and closed funds with a minimum AUM of C\$15 million and at least a 12-month track record of returns, managed by Canadian-domiciled hedge fund managers. Index returns are quoted in CAD. 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.