

Inflection Performance: June 2018

24 Months and Counting

- **ISOF and Ultra continue to meet and exceed targets**
- **Both funds remain within CSA's lowest risk category**
- **Our managers continue to benefit from rising volatility**

Back in December of last year we gave a progress report on the refinements to our process which we introduced in June 2016. We were very pleased then that we were able to dramatically improve our performance while continuing to provide what our investors want and need: healthy risk-adjusted returns with a low correlation to the stock market.

Thus we're even more pleased to report that, at the 2-year mark, things continue to play out as expected, and that the increase in market volatility that we've been experiencing has been benefiting our managers. That volatility is forecast to likely continue and increase.

Last 24 Months June 30, 2018	Annualized RoR	Standard Deviation	Sharpe Ratio	Beta to TSX	Correlation to TSX
Ultra Series A USD*	9.49%	4.96%	1.52	0.44	0.52
ISOF Series A USD	5.79%	3.77%	1.03	0.33	0.50

It should also be noted that these results were produced despite the first 6 months of 2017 being a near worst-case scenario for the portfolio, as it was constructed at the time, and that it was accomplished while remaining within the lowest risk category for funds as defined by the CSA (Canadian Securities Administrators).

Standard Deviation	CSA Investment Risk Scale
0 - 6.0	Low
6.0 - 11.0	Low to Medium
11.0 - 16.0	Medium
16.0 - 20.0	Medium to High
> 20.0	High

Both ISOF and ULTRA are meeting our clients' primary objectives:

1. Protect capital
2. Produce robust risk-adjusted returns
3. Provide low correlation to equities and fixed income

1 ULTRA performance from July 2016-December-2017 derived by adjusting the realized performance of the basket of managers underlying ISOF to account for the higher leverage ratio of ULTRA. Table is for illustrational purposes and is not indicative of realized ULTRA performance prior to its inception.

2 TSX = S&P TSX Composite Total Return Index

3 https://www.bscs.bc.ca/Securities_Law/Policies/Policy8/PDF/81-102_NI_June_12_2018/ (pg. 95)

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As the business cycle continues to turn, most pundits foresee a bumpy ride for equities and a growing probability of recession. Years of stability, low volatility, and easy gains in the equity market courtesy of the Federal Reserve are unquestionably over in the Era of Trump. Geopolitical tensions, trade wars, policy reversals, and shocking departures from established norms in foreign policy will likely increasingly roil markets.

As this unusual time in history unfolds, we believe prudence is necessary and that our “stay rich” philosophy will be more and more valuable to investors’ portfolios.

Contribution

In June ISOF was up 0.67% and Ultra 0.98% for Series A USD investors, bringing ISOF to +0.71% and Ultra to +0.23% YTD.

Gains in June were broad-based, with 14 of our 21 managers in positive territory and 5 detracting less than 0.10% from performance (for ISOF Series A USD investors). Some highlights were: CBH, a regional banking specialist, up 2.26% (vs the KRE regional bank ETF down -3.45%) and providing 0.28% to performance; PIN, a quantitative arbitrage manager, up 2.10% and contributing 0.18% to performance; and GAR, a merger arbitrage specialist, up 1.93% and adding 0.17% to performance.

Although merger arbitrage funds in general have been affected by the skirmishing on trade between the US and China which has likely slowed China’s approval process, all three of our M&A managers (BER, GAR, and GLE) performed well in June. Some of the performance is spillover from the favourable ATT/Time Warner US Justice Department ruling, which signaled to other companies wishing to make deals that the coast was now clear, despite a recent appeal. We expect the second half of the year to keep up the pace.

The only meaningful detractor this month was VER, a multi-strategy manager, who was down -1.37% on the month and detracting -0.21% from performance.

Sincerely,

The Inflection Team

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 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.