

## Inflection Performance: July 2018

### Steadfast

July was a difficult month with ISOF Series A USD down -1.75% and Ultra Series A USD down -2.43%.

Although most of the portfolio is composed of managers quietly working their seam to produce slow, steady returns, we also take more directional positions when a potentially deep and rewarding opportunity presents itself. AND, our energy specialist, is an example of this.

AND's strategy is global in nature and trades on the mispricings in global energy markets due to the short-term focus of most market participants. Over a long history AND has proven that his data collection and analysis is better than his competitors and has often resulted in contrarian positions. But, as sometimes happens with our deeper dives, the path to profit can be a rocky one.

Energy markets are volatile and subject to hiccups such as geopolitical events, trade war fears, and the frequent misinterpretation of data. AND's analysis shows that the oil market will be largely undersupplied in the 2019-2020 period due to an insufficient investment in future production after oil dropped below \$30 a barrel in 2016.

AND has been a top positive contributor to our portfolio in previous years and has a proven history of getting the fundamentals right and positioning his fund accordingly in both bull and bear oil markets. If correct once again, this strategy will likely be a top contributor to our returns over the next couple of years, and therefore worth the negative months along the way.

AND detracted -0.60% from performance in July. The portfolio was designed with AND's volatility in mind (as well as with our CTA manager, ALP). Even with AND's volatility of 24.80% and ALP's volatility of 21.69% the portfolio as a whole has had a volatility of only 3.68% over the past 25 months, well within our goal of mid-single digits.

Our second largest detractor in July was HUN, an arbitrage focused manager who employs a range of strategies across ETFs and indices, share classes, and corporate actions. HUN detracted -0.52% from performance on the month. The majority of their drawdown came from the NXPI/QCOM merger break. With NXPI now trading well below fair value estimates due to technical post-break selling, we anticipate there should be some recovery in NXPI in the near term.

The remaining 19 of our managers contributed between +0.20% and -0.23% on the month, with 7 positive and 12 negative.

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With President Volatility likely to turn this fall's US midterm elections into yet another opportunity to display his unique brand of executive governance, we expect many of the mispricing opportunities on which our managers thrive.

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.