

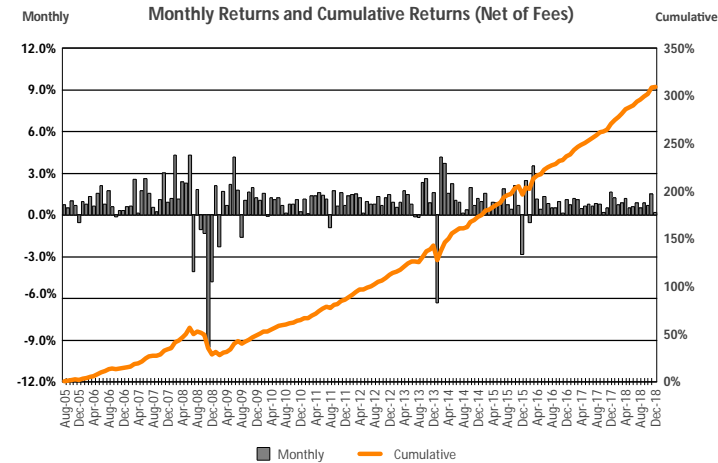
Nautilus Fairtree Proton Retail Hedge Fund Investment Performance Summary

31 December 2018

Portfolio Objective

The Nautilus Fairtree Proton Retail Hedge Fund aims to provide superior risk-adjusted returns over and above cash, irrespective of market conditions. The portfolio is managed by balancing fixed income relative value exposures with credit exposures, in a way that minimises market risk and allows the portfolio to achieve its targeted return over the medium term. We believe that the markets are not always efficient and therefore present mispriced assets which can be taken advantage of to generate excess returns. A disciplined approach to fundamental and quantitative analysis helps to identify these mispriced assets. We believe that a team-based fundamental approach to the valuation of assets, combined with cutting-edge quantitative techniques in portfolio construction and risk management help build a fund to achieve the objectives of superior risk-adjusted returns. The fund has a targeted return of cash plus 6% over a rolling 3-year period.

Cumulative Performance Since Inception



Return Analysis

| | Fund | All Bond Index | STeFi |
|-----------------|---------|----------------|---------|
| 1 Month | 0.20% | 0.64% | 0.60% |
| 3 Months | 2.49% | 2.74% | 1.78% |
| 6 Months | 4.87% | 3.58% | 3.58% |
| 1 Year | 10.53% | 7.69% | 7.25% |
| 3 Years | 37.93% | 37.02% | 23.89% |
| 5 Years | 68.26% | 45.00% | 39.67% |
| Since Inception | 309.53% | 183.52% | 158.22% |

Risk Analysis

| | Fund | All Bond Index | STeFi |
|-------------------------------------|---------|----------------|---------|
| Sharpe Ratio | 0.64 | 0.12 | n/a |
| Sortino Ratio | 0.82 | 0.21 | n/a |
| Standard Deviation | 5.37% | 7.08% | 0.49% |
| Best Month | 4.34% | 7.27% | 1.04% |
| Worst Month | -9.53% | -6.67% | 0.39% |
| Best Rolling 12 Months | 25.70% | 21.23% | 11.79% |
| Worst Rolling 12 Months | -10.50% | -5.61% | 5.16% |
| Largest Cumulative Drawdown | -17.96% | -9.78% | n/a |
| % Positive Months (Since Inception) | 90.06% | 67.08% | 100.00% |
| Correlation (ALBI Index) Monthly | -0.12 | | |
| Value at Risk (VaR) 99% | 3.21% | | |

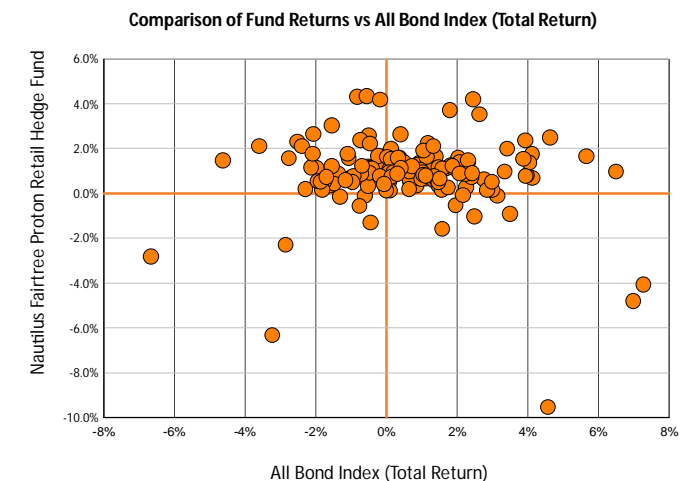
The above benchmark(s) are for comparison purposes with the fund's performance. The fund does not follow the benchmark(s).

*Please note that performance figures include returns earned during the relevant periods prior to the portfolio being regulated under CISCA. The investment performance is for illustrative purposes only and is calculated by taking actual initial fees and all ongoing fees into account for the amount shown; and income is reinvested on the reinvestment date. The annualised total return is the average return earned by an investment each year over a given time period. Annual figures are available from the manager on request. The highest and lowest 1 year returns represent the highest and lowest returns achieved during any single calendar year since the original launch date of the portfolio.

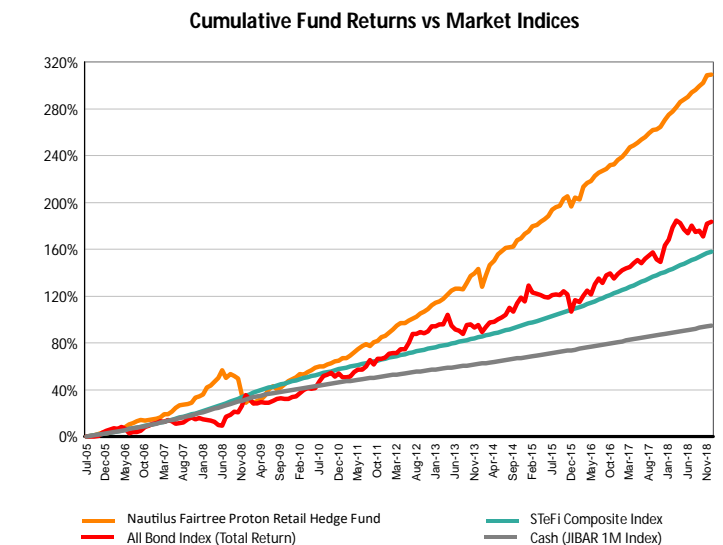
Fund Details

| | |
|---------------------------------------|-------------------------------------|
| Fund size (in Millions): | R 290.5 |
| Inception Date: | 31 August 2005 |
| Fund Structure: | CISCA (Retail Hedge Fund Portfolio) |
| Benchmark: | N/A |
| Minimum Investment: | R 50 000 Lump sum |
| Total Expense Ratio (TER%): | 2.28% |
| Transactions Costs Ratio (TC%): | 0.05% |
| * Total Investment Charges (TIC%): | 2.33% |
| Performance Fee (PF) Included in TER: | 0.77% |
| Investment Manager contact details | Fairtree Asset Management (Pty) Ltd |
| Telephone Number: | +27 86 176 0760 |
| Website: | www.fairtree.com |

Comparison of Fund returns



Cumulative Fund returns



Increase in NAV Attributable to Investors

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------|--------|--------|--------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| 2005 | | | | | | | | 0.77% | 0.53% | 1.02% | 0.73% | -0.53% | 2.54% |
| 2006 | 0.99% | 0.80% | 1.35% | 0.66% | 1.57% | 2.11% | 0.82% | 1.77% | 0.60% | -0.10% | 0.36% | 0.35% | 11.86% |
| 2007 | 0.63% | 0.64% | 2.60% | 0.16% | 1.77% | 2.65% | 1.59% | 0.57% | 0.27% | 1.13% | 3.03% | 0.92% | 17.12% |
| 2008 | 1.19% | 4.31% | 1.15% | 2.38% | 2.31% | 4.34% | -4.06% | 1.87% | -1.03% | -1.30% | -9.53% | -4.80% | -4.06% |
| 2009 | 2.11% | -2.29% | 1.73% | 0.70% | 2.22% | 4.18% | 1.82% | -1.58% | 1.08% | 1.67% | 1.98% | 1.24% | 15.73% |
| 2010 | 1.09% | 1.60% | -0.07% | 1.26% | 1.12% | 1.28% | 0.70% | 0.16% | 0.81% | 0.79% | 1.14% | 0.27% | 10.62% |
| 2011 | 1.16% | 0.12% | 1.39% | 1.41% | 1.64% | 1.46% | 1.17% | -0.91% | 1.77% | 0.64% | 1.63% | 0.70% | 12.85% |
| 2012 | 1.39% | 1.50% | 1.53% | 1.24% | 0.14% | 0.98% | 0.80% | 0.79% | 1.37% | 0.70% | 1.28% | 1.49% | 14.03% |
| 2013 | 0.94% | 0.59% | 0.93% | 1.76% | 1.47% | 0.82% | -0.10% | -0.14% | 2.36% | 2.64% | 0.87% | 1.63% | 14.64% |
| 2014 | -6.31% | 4.20% | 3.72% | 1.58% | 2.25% | 1.06% | 0.96% | 0.15% | 0.37% | 1.99% | 0.72% | 1.22% | 12.16% |
| 2015 | 0.97% | 1.57% | 0.34% | 0.93% | 0.88% | 0.77% | 1.91% | 0.74% | 0.42% | 2.12% | 0.69% | -2.82% | 8.77% |
| 2016 | 2.50% | -0.55% | 3.53% | 1.15% | 0.44% | 1.37% | 0.86% | 0.53% | 0.52% | 0.98% | 0.17% | 1.11% | 13.32% |
| 2017 | 0.76% | 1.22% | 1.14% | 0.49% | 0.65% | 0.79% | 0.66% | 0.84% | 0.79% | 0.19% | 0.51% | 1.65% | 10.12% |
| 2018 | 1.24% | 0.77% | 0.90% | 1.23% | 0.54% | 0.60% | 0.91% | 0.52% | 0.88% | 0.73% | 1.54% | 0.20% | 10.53% |

- The NAV of the fund gained 0.20%, bringing the total return to investors to 309.53% and the average annualised return to 11.08%.
- The annualised standard deviation is 5.37% and compares favorably with that of the All Bond Index (Total Return) at 7.08%.
- The downside deviation of the fund is 1.23% compared to 1.16% for the All Bond Index (Total Return).
- The excess return per unit risk, as measured by the Sharpe Ratio, decreased to 0.64, whilst that of the All Bond Index (Total Return) increased to 0.12.

Market Commentary

Market Dynamics:

What a terrible end to annus horribilis. Global risk markets, after teetering on the brink in November, fell into the abyss during December 2018 with global developed stock markets getting hammered across the board. After weathering the storm to the end of November, NASDAQ collapsed 9.4%, S&P500 slumped 9% and the Dow Jones dropped 8.6%. The East didn't fare any better with the Nikkei dropping 10.3%, the Hang Seng losing 4.7% and Shanghai showing a negative 3.6% return to investors. Europe and the UK also posted red numbers across the board. The "Bumper Christmas" which everyone was expecting certainly didn't materialise, leaving many talking heads pushing out their positivity for another month or so. Christmas was definitely a "humbug" for global equity investors. Rather than pondering on the bad news and reasons for it, we'll just leave it at that.

With global headwinds blowing as strongly as they did, there was nowhere for credit assets to hide. Our credit benchmark index, iTraxx 5 year XOver, withered and posted another negative 1% return during the month. During the final quarter of 2018 the index has lost some 4.1% in value terms. Not exactly the best showing from the index. In fact the 4th quarter of 2018 was the 5th worst quarter for the index on record. We have to go back to the second quarter of 2010 to find a worse period for the index, so it's fair to say that the experience of the period does not come around that often. The index spread moved from 331 basis points (bps) to end the year at 354 bps. When we consider that the spread began the year at 232 bps, we realise that the sell-off in credit spreads has been rather brutal. The implied default probability has increased from 17.65% to 25.72% over the year - quite a movement.

"Spread movements without defaults are just a market-to-market" I heard a linguistically challenged chap say and I suppose he's correct in one aspect of the statement. Without losses due to defaults, increases in yield result in higher risk premia and therefore higher expected returns rather than higher losses with the same expected returns. December witnessed no default auctions and calendar 2018 produced 6 notable defaults - down from 11 in 2017.

Moving to local equities, contrary to widespread global woes, good times were back again with the TOP40 posting a rather respectable 4.76% during the month. This ranks as the 32nd best month since the inception of Proton in August 2005 (some 161 months ago) so a solid top quartile month for the asset class. Drilling into the detail, no pun intended, it was all about mining with AngloGold posting a not too shabby 30.6%, Goldfields took the silver at 22.2% whilst the bronze medal went to AngloAmerican with 16.3%. At the bottom of the barrel was British American Tobacco at -9% which marginally underperformed Aspen at -8.3%. I suppose this makes sense as there should be a direct linkage between tobacco sales and healthcare - or perhaps that's just spurious. MediClinic was the third worst performer with -3.8%. Overall the index showed approximately 2 winners to every loser so a rather good breadth of performance across the board. Unfortunately that couldn't be said for the asset class during 2018 as a whole. But then again, everyone is expecting a fantastic 2019.

Unfortunately the positivity in the equity market didn't rub off on the local bond market as the All Bond Index merely managed to squeeze out a 0.64% during the month. OK, it was positive, and it did beat STeFI, albeit by 4 bps. But after the fantastic showing in November, bond investors should be quite happy to cling onto those gains. The index delivered 7.68% during 2018 against STeFI at 7.29%, not a bad performance and some guys enjoy a bit of volatility without any compensation - but that's not really my bag.

Interestingly, for some anyways, the benchmark R186 trading range increased over the course of 2018 with an intra-year high and low close of 9.37% and 7.88% respectively. That's a 149 bps trading range, up from 116 bps in 2017. Of even more interest, to even fewer readers out there, is the fact that the 10 year swap trading range narrowed to 97bps during the period from 103bps during 2017 at 103bps.

Performance:

After the fantastic November it was (well) almost inevitable that December would take some hard earned alpha back from the fund. The end result was a little disappointing, and as one of my colleagues described "A bit of a damp squid" - unlike normal squids which are obviously dry. So all-in-all, a rather tired 0.20% was returned to investors on an after all fees basis or some 40 bps behind STeFI on the month. Not exactly popping champagne corks sort of stuff, but then again the fund has never been designed to get one's heartbeat racing - it would be a bit weird if it did, but then again some guys like that sort of thing. Over the calendar year the fund produced 10.53% against STeFI at 7.29% delivering this alpha with an implied Sharpe Ratio of 2.31. The longer dated numbers are also looking rather pleasing with the last 5 years delivering some 68.20% against STeFI at 39.66% - all on an after fees basis.

Looking to 2019 it's all going to be about local elections, credit ratings, valuations, nominal interest rates, real interest rates, implied default probabilities, implied default correlation, realised defaults, the ever burgeoning debt to GDP ratio, Eskom, qualified audits, US debt ceilings, global trade wars, the perceived future of the European union, a deal or no-deal Brexit, replacing leaders of UK political parties, twin deficits, inflation, deflation, reflation, refraction, deflection, growth, too much growth, too little growth, the wrong type of growth, synchronous growth, asynchronous growth, the Middle Eastern conflict, global warming, Russian global aspirations, UK military personnel targets and The Great British Bake Off - all quite simple really.

'In layman's terms what do you think the key drivers of risk and return will be?'....."Err, that's a good question. If you'll give me a few minutes of your time to ponder the following nine thousand, two hundred and seventy three points in no particular order of importance....."

Please Note: The above commentary is based on reasonable assumptions and is not guaranteed to occur.

Mandatory Disclosures

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Management Company: Nautilus Managed Account Platform RF (Pty) Ltd (the "Manager"), authorised in terms of the Collective Investment Schemes Control Act (CISCA) to administer Collective Investment Schemes (CIS) in Securities. **Physical Address:** One Exchange Square, Gwen Lane, Sandown, 2196. **Telephone Number:** +27 11 520 7956. **Website:** www.nautilusmap.co.za

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