

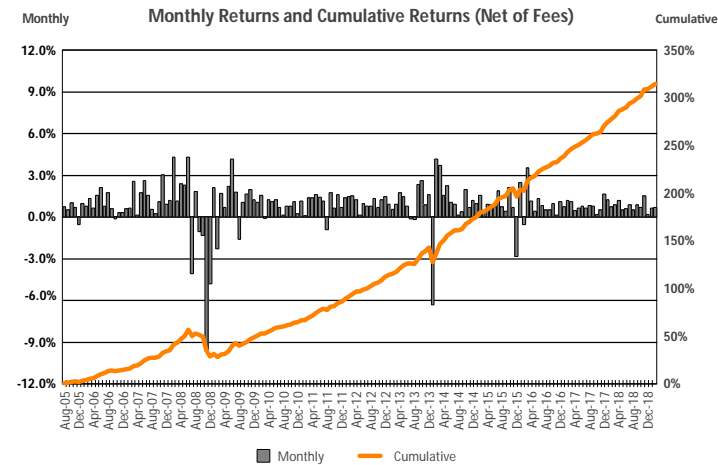
Nautilus Fairtree Proton Retail Hedge Fund Investment Performance Summary

28 February 2019

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	0.73%	-0.44%	0.55%
3 Months	1.60%	3.10%	1.76%
6 Months	4.83%	5.57%	3.55%
1 Year	9.84%	4.21%	7.26%
3 Years	37.19%	35.21%	23.97%
5 Years	74.75%	49.87%	40.10%
Since Inception	315.23%	190.47%	161.20%

Risk Analysis

	Fund	All Bond Index	StEfi
Sharpe Ratio	0.64	0.13	n/a
Sortino Ratio	0.82	0.23	n/a
Standard Deviation	5.34%	7.07%	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)	90.18%	66.87%	100.00%
Correlation (ALBI Index) Monthly	-0.12		
Value at Risk (VaR) 99%			

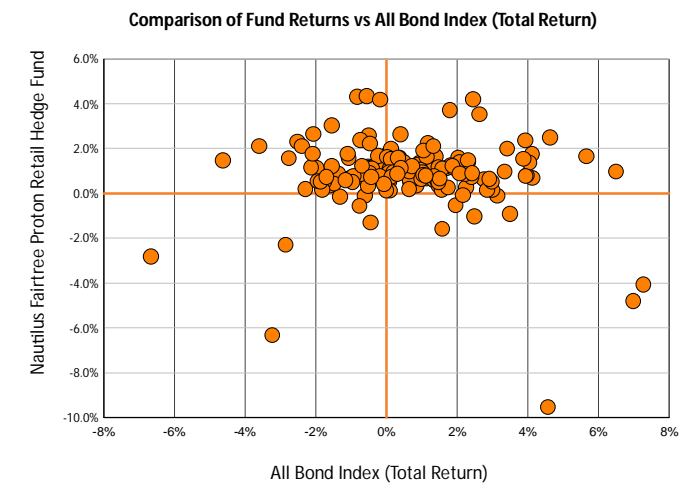
The above benchmark(s) are for comparison purposes with the fund's performance. The fund does not follow the benchmark(s).

*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.

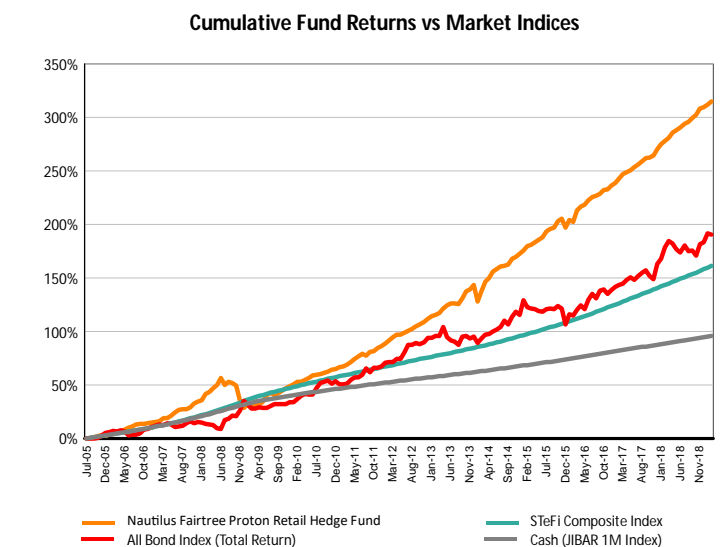
Fund Details

Fund size (in Millions):	R 314.4
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%):	2.26%
Transactions Costs Ratio (TC%):	0.05%
* Total Investment Charges (TIC%):	2.31%
Performance Fee (PF) Included in TER:	0.75%
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%
2019	0.66%	0.73%											1.39%

- The NAV of the fund gained 0.73%, bringing the total return to investors to 315.23% and the average annualised return to 11.05%.
- The annualised standard deviation is 5.34% and compares favorably with that of the All Bond Index (Total Return) at 7.07%.
- The downside deviation of the fund is 1.22% 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) decreased to 0.13.

Market Commentary

Market Dynamics:

It was another good month for European Credit with the iTraxx 5 year Crossover Index delivering some 1.84% in total return during the period. Couple this with January's showing of 2.39% and the index has shown investors a rather respectful 4.27% in Euros. From a spread perspective the index compressed from 310 basis points (bps) to end the month at 276 bps. It started the year at a spread of 354 bps so the rally has been significant and given the lack of realised defaults of late, largely warranted. We still see room for further compression going forward, and will only start to get worried when investment complacency sets in. Given the long list of sceptics out there, we do believe the market is far from stretched at the moment and believe that without an increase in defaults we could easily see the bull market continue for a while.

On the default side of things there was 1 default auction conducted during the month with Pacific Gas and Electricity (PG&E) having been deemed to trigger a credit event. Recovery was set at 77.75% in USD on the 27th of the month.

Moving to local equities, it was all about Implats which posted a phenomenal 55.8% over the month. The stock hit a low on the 15th of August last year at 1581c and closed at 6020c at the end of February. A rather decent change in the fortunes of resources investors. In a distant second place was Steinhoff which also posted a decent 24% return during the month, although that counter has a long way to go to redeem itself. Third spot was taken by Richemont which posted a rather healthy 18% during the month. At the bottom of the performance pile was the Fortress REIT which lost some 10% of shareholder value. Given that the SA Property Index lost 5.7% during February, we shouldn't have been surprised by this outcome.

The bond market lost its glister during February with the All Bond Index losing 0.44%. Not exactly a train smash but given that February 2018 was a bumper month for bond investors last year with the index posting 3.93%, the year on year performance of the index has dropped from 8.79% to 4.21%. That means that the index has underperformed STeFI by some 2.84% over the past 12 months. Not exactly scintillating stuff. Unfortunately I struggle to get bullish given the state of the State Owned Enterprises. Unfortunately we feel that the contingent liabilities on the government's balance sheet might become long term liabilities. That unfortunately will probably push the ratings agencies over the edge. From a yield perspective the benchmark R186 sold off 11 bps to end the month at 6.885%.

Performance:

Well if 36 individual months on the trot of positive returns is not good enough, I'm not really sure what ever will satisfy investors. The last negative month for the fund was chalked way back in February 2016. That's quite a while in anyone's book. To contextualise this run, ALBI has managed 9 months of positive returns back in 2005/2006 whilst the maximum number of continuous positive monthly returns for the TOP40TR index was 10 months and that was back in 2007. So Proton has achieved something quite special, even if it's only as far as the management of risk is concerned.

Subsequently it was a positive 0.73% for the month, some 0.18% ahead of STeFI. Looking at the breakdown of winners and losers, it really was a ding-dong battle amongst the valuing adding buckets with SAGB's and swaps lagging whilst the option books and short dated positions producing alpha. Perhaps some increased correlation is required. But then again, before we start wishing for that outcome, more highly correlated positions will result in a higher volatility of alpha production and therefore lower Sharpe ratios which is in no-one's interest. Perhaps we should rather stick to what we have been doing over the last three years.

Looking to March, it's all about Moody's ratings again who have obviously been keeping a beady eye on South Africa's credit metrics in determining whether we should maintain our marginal investment grade rating of Baa3. Methinks, at worst, they might change our outlook to negative. Let's listen carefully.

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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