

Nautilus Fairtree Proton Retail Hedge Fund

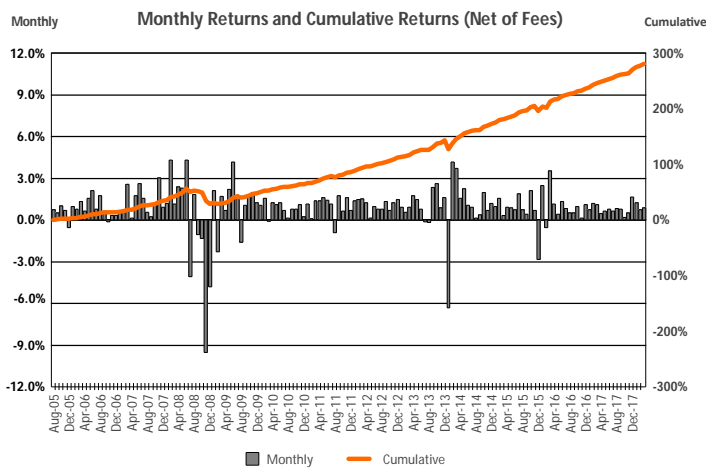
Investment Performance Summary

31 March 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	0.90%	2.07%	0.60%
3 Months	2.94%	8.06%	1.76%
6 Months	5.37%	10.46%	3.59%
1 Year	9.89%	16.23%	7.45%
3 Years	35.78%	28.25%	23.25%
5 Years	75.29%	45.10%	37.73%
Since Inception	281.41%	184.50%	144.99%

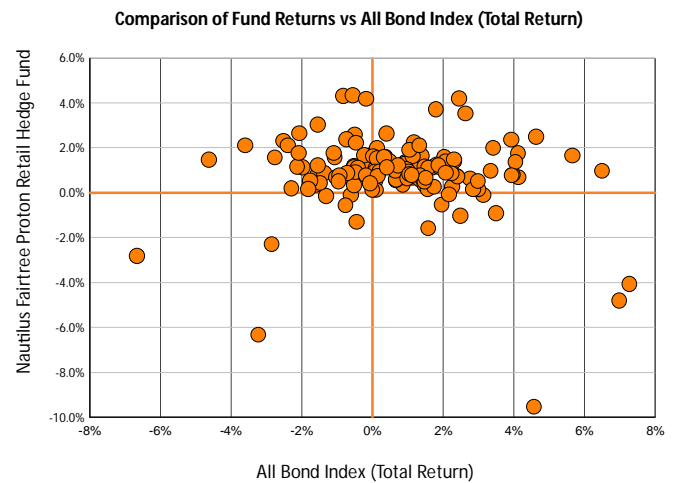
Risk Analysis

	Fund	All Bond Index	STeFi
Sharpe Ratio	0.63	0.18	n/a
Sortino Ratio	0.81	0.32	n/a
Standard Deviation	5.52%	7.08%	0.51%
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)	89.47%	68.42%	100.00%
Correlation (ALBI Index) Monthly	-0.13		
Value at Risk - 95%	0.60%		

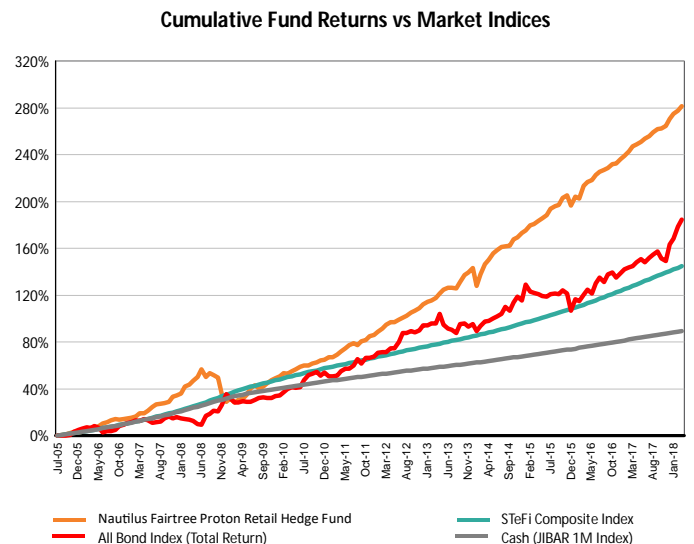
Fund Details

Fund size (in Millions):	R 344.1
Inception Date:	31 August 2005
Fund Structure:	CISCA (Retail Hedge Fund Portfolio)
Benchmark:	This portfolio does not follow a benchmark
Minimum Investment:	R50 000 Lump sum
Investment Manager contact details	Fairtree Capital (Pty) Limited
Telephone Number:	+27 86 176 0760
Website:	www.fairtree.com

Comparison of Fund returns



Cumulative Fund returns



*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.

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%										2.94%

- The NAV of the fund gained 0.90%, bringing the total return to investors to 281.41% and the average annualised return to 11.15%.
- The annualised standard deviation is 5.52% and compares favorably with that of the All Bond Index (Total Return) at 7.05%.
- The downside deviation of the fund is 1.26% compared to 0.91% for the All Bond Index (Total Return).
- The excess return per unit risk, as measured by the Sharpe Ratio, is 0.63, whilst that of the All Bond Index (Total Return) decreased to 0.91.

Market Commentary

Market Dynamics:

So the bull market in South African Government bonds, which started shortly after the demise of a particularly unsavoury character who was the previous President, got into Top Gear during the month. Lots of low down power through the short end of the yield curve which drove the short strip quite a bit lower, but it was the impressive top end that was noteworthy. Jeremy Clarkson would have been extremely proud to present the performance of the benchmark R186 which started the month at 8.115% and rather promptly accelerated through 8%, chalking a low trade for the month at 7.83% after Moody's delivered their assessment of the credit worthiness of the Republic. To be honest I've never really hung my hat on the opinions of others, especially when it comes to money. I mean it begs the question, if some organisations' opinions were so valuable, so lucrative, and so profitable, why would they share them with mere mortals like you and I? Unless, of course, they are charging you for these opinions, and you are paying for all that "value" that they are adding on your behalf. So if a company is being paid for its opinions, I'd hazard a guess that having more opinions might be more profitable for them than having less. If you are getting those opinions for free, what is the inherent value of that opinion? Zero. Unless we want to re-write the economics textbooks.

So anyway, after the flutter down to the lows, the market promptly about turned and traded higher again, waiting in nervous anticipation for the second sitting of the Monetary Policy Committee. Remember, in January they decided, after 2 days deliberation, to do nothing but were quite clear that they would not hesitate to do something if it were warranted. So the market has spent the last 2 months trying its utmost to determine whether the MPC would again do nothing, or whether it had hesitated enough and would therefore do something? Well obviously the good Governor decided enough was enough, and cut Repo by 25 bps. It was close, a vote split of 4-3 in favour which the market took as a "hawkish cut" i.e. a reluctant reduction. Nail biting stuff and all leading to a rather surprising outcome, well at least for the ones that got it wrong. The committee also revised the equivalent of their "Dot plot", signalling that they see, at most, one more cut of 25 bps before the end of 2019. The market was rather disappointed (are they ever happy?), taking out their frustration on longer dated FRA's which steepened up drastically after the outcome. Paradoxically 1 year swaps actually rose in yield on the day of the reduction, but after 3 month JIBAR declined by 25.8 bps the following day 1 year swaps were muscled lower by a whopping 3.2 bps. The rest of the swap levels out to 30 years increased in yield.

From an index perspective, the All Bond Index put another 2.005% into investors' pockets over the month. "Good for the old wallet" as my dentist normally tells me, once my mouth is sufficiently numbed to the extent where I can offer no discernible argument to the contrary. He normally tells me this just before the grinding starts, normally followed by a strange smell of burning flesh. But anyways back to the All Bond Index..... strangely the 1-3 sub-index actually underperformed the STeFi composite during the month, highlighting the markets under appreciation of the good work coming out of the Reserve Bank. The long end outperformed on a risk adjusted basis, taking a rather welcome shot in the arm after the announcement of reduced weekly auction sizes coming out of National Treasury. There's nothing a Government Bond investor likes more than hearing about a lowering of expected fiscal deficits and the associated reduction of the annual bond issuance program. Lovely jubbly.

Performance:

The month proved a fruitful one to the old faithful investors into Proton, with the fund producing yet another STeFi beating return number of 0.90% during the period. STeFi produced 0.56%. OK it wasn't the best month ever but considering we didn't appropriate a high probability of a rate cut, we will certainly take it. Obviously we never take excessive risk positions based on events, preferring to slowly harvest alpha on a more gradual basis, but we certainly do take risk over the MPCs. We got that one wrong but all our other interest rate bucket risks fired during the month. "Steady Eddy" credit continued to accrue, as it generally does - unless it gives us a pesky default, and it all accumulated rather nicely. "Everything is awesome, everything is cool to be part of a team".

But anyway, that's the 25th straight month of positive returns - and it's not, let me say that again, "not" getting boring. It's as interesting now as it was when we started running risk in this fund, in fact I would argue it's getting more interesting. The strategies are broadening and we see an exciting future for Proton - short, medium and long term.

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

Mandatory Disclosures

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Physical Address: Willowbridge Place, Cnr. Carl Cronje and Old Oak Road, Bellville, 7530. **Postal Address:** PO Box 4124, Tygervalley, 7536. **Telephone Number:** +27 86 176 0760. **Website:** www.fairtree.com.
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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