

Nautilus Fairtree Proton Retail Hedge Fund

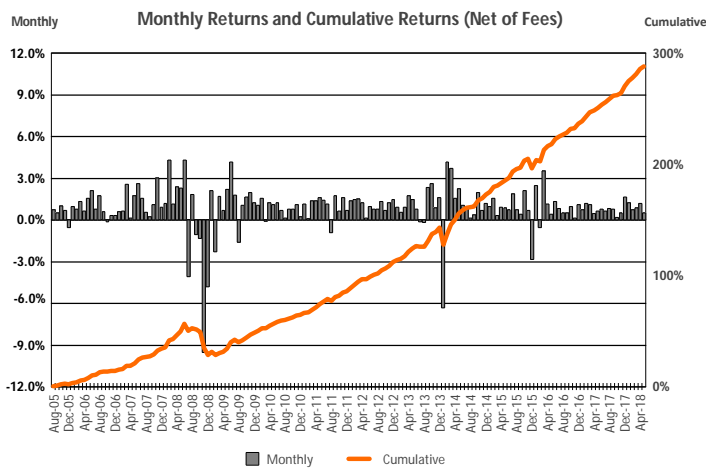
Investment Performance Summary

31 May 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	0.54%	-1.95%	0.59%
3 Months	2.69%	-0.63%	1.79%
6 Months	6.50%	11.15%	3.58%
1 Year	10.58%	10.44%	7.39%
3 Years	35.73%	26.39%	23.42%
5 Years	72.78%	42.29%	38.13%
Since Inception	288.19%	176.98%	147.88%

Risk Analysis

	Fund	All Bond Index	STeFi
Sharpe Ratio	0.63	0.14	n/a
Sortino Ratio	0.82	0.25	n/a
Standard Deviation	5.48%	7.08%	0.50%
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)	89.61%	67.53%	100.00%
Correlation (ALBI Index) Monthly	-0.13		
Value at Risk (VaR) 95%	0.80%		

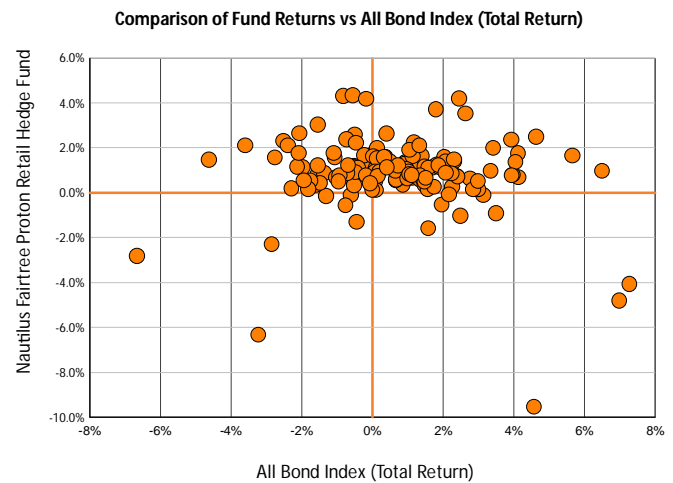
The above benchmark(s) are for comparison purposes with the fund's performance. The fund does not follow the benchmark(s).

*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.

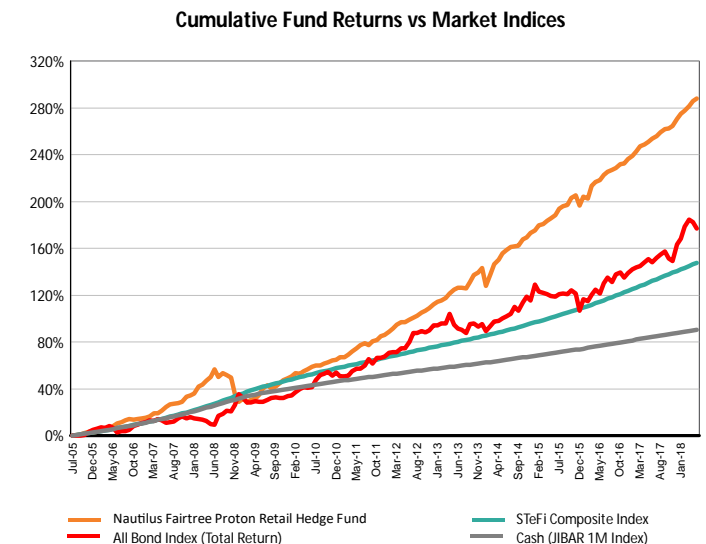
Fund Details

Fund size (in Millions):	R 350.4
Inception Date:	31 August 2005
Fund Structure:	CISCA (Retail Hedge Fund Portfolio)
Benchmark:	N/A
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



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%								4.77%

- The NAV of the fund gained 0.54%, bringing the total return to investors to 288.19% and the average annualised return to 11.15%.
- The annualised standard deviation is 5.48% and compares favorably with that of the All Bond Index (Total Return) at 7.08%.
- The downside deviation of the fund is 1.25% compared to 1.17% for the All Bond Index (Total Return).
- The excess return per unit risk, as measured by the Sharpe Ratio, decreased to 0.63, whilst that of the All Bond Index (Total Return) decreased to 0.14.

Market Commentary

Market Dynamics:

What was it that investors should do in May? Apparently it's a month to sell then go on holiday. Well to be honest, just like everyone else who doesn't wear a rather tight fitting white canvas jacket with the arms tightly tied at the back, I'm definitely a fan of a holiday - especially long ones. I also don't particularly enjoy bear markets, as they bring out the latent negativity in people. So "Sell in May and go away" as they say and you'll definitely have a great month - especially as they normally are bear markets. Unfortunately this little ruse works sometimes, and other times it doesn't - I'm obviously referring to the selling rather than the holidaying.

But, contrary to popular opinion, the risk off theme was more of a regional rather than a global story with the North American equity indices posting rather healthy gains. The Dow delivered some 1.1% whilst the broader S&P 500 showed investors around 2.2% during the month. Even large cap equities domiciled in the UK, the FTSE 100, delivered a rather spiffing, and jolly good, 2.25% over the period. So when macro traders pick the correct themes, there certainly is room for alpha production thanks to higher levels of performance dispersion. Broader Europe was a disaster, with Italy's political turbulence unravelling quicker than anyone could put a fancy acronym together combining "Italy" and "Exit". I mean, 'lexit' doesn't roll off the tongue that well does it Unless you say "I <pause> Exit". But, thank goodness, it wasn't just Italy that took some heat over the month, Greece, Portugal and Spain also came under severe pressure which allowed that old tried and tested acronym to be taken out of the bottom drawer and dusted off The old "PIGS" were mentioned quite a few times. Round and round the mulberry bush. So in one sentence, Europe was trashed, European credit spreads came under pressure and the iTraxx XOver lost some 1.57% in total return - not a pleasant outcome.

Moving to local equities, the TOP40 certainly had a European rather than a North American feel to it over the month. It was yet another nasty month for the asset class with the large cap TOP40 total return index syphoning some 3.1% out of investors' pockets. That unfortunately puts equities down some 4.0% during 2018 which is not a particularly good outcome. Drilling into the detail was carnage, with Steinhoff losing some 42% of its current market capitalisation over the month. It wasn't only stocks that had been previously beaten down that lost vast sums of value, with BiVest down some 17.6%, and British American Tobacco losing 15.7%. Financials also came under pressure with Barclays Group Africa losing 11.7% and the best performing bank on the month, Standard Bank, also writing off some 3.2% of shareholder wealth. On the positive side of things, if one could find them, was Billiton with a POSITIVE 8.6% return Mondi with 7.8% and SAPPi delivering 4.2%. All in all a month to rather be forgotten with only 7 stocks in the black.

South African bonds didn't weather the storm that well with the All Bond Index (ALBI) losing 1.95%. Bonds have had a good time of late, producing 5.2% on a year to date and 10.4% on a year on year basis, so perhaps a little "hiccup" like May should not worry investors too much. When things get cheaper you should buy them Right? Unless, of course they sell off some more, in which case you'd better have a water tight reason for your purchase program and a long term track record of performance showing how you've coped with bear markets on several previous occasions.

Performance:

Unlike last month, May wasn't a particularly good month for Proton. "Tick" it was a positive number, "Tick" the fund has now delivered some 27 months of positive returns, "Tick" volatility is dropping and "Tick" the realised Sharpe Ratio is healthy, but with a total return of 0.54% for the month, we could and should have done better. In our defence, volatility is increasing and given our short position, we should be comfortable with a slightly down to cash month after fees. Drilling into the details, rates risk cost the fund a meagre 10 basis points (bps) and the split across the separate asset types showed volatility strategies losing 17 bps, directional bonds lost 15 bps, swaps gained 26 bps and short dated FRA strategies lost 3 bps. Credit delivered all the positive return for the month, which I suppose shows the benefits of the diversified approach to risk allocation that we employ. So 5 bps underperformance to STeFi.

Looking to June, there are some clouds around. Emerging Markets continue to be whipped by the usual gang of despots that are in charge of those countries, storm clouds seem to be gathering in the Middle East (again) and local political dynamics, although a lot calmer than last year, seem to have left quite a few questions yet to be answered. Volatility will probably remain at these current elevated levels for a little while longer.

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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