

## METOLIUS DIVERSIFIED US FEEDER FUND

FEBRUARY 2017 UPDATE

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2017	-1.53%	<b>-1.50%</b>											<b>-3.00%</b>
2016	3.09%	1.30%	-2.52%	-0.32%	-2.42%	2.15%	0.99%	-1.53%	-2.07%	-0.44%	0.44%	1.50%	<b>-0.03%</b>
2015	8.33%	-1.91%	-0.61%	-2.92%	-2.22%	-1.05%	0.14%	-0.51%	-0.01%	-2.24%	2.98%	-1.03%	<b>-1.51%</b>
2014	-3.34%	1.01%	-1.29%	-1.86%	-0.65%	0.90%	0.44%	2.33%	5.53%	1.97%	4.08%	2.52%	<b>11.88%</b>
2013	2.66%	-0.97%	0.10%	0.72%	0.83%	-0.99%	-2.14%	-0.79%	-2.89%	-0.23%	1.74%	2.18%	<b>0.08%</b>
2012	-0.48%	0.93%	-1.39%	-2.86%	1.36%	-2.58%	1.97%	-0.93%	-0.21%	-2.19%	-0.69%	2.15%	<b>-4.96%</b>
2011	-1.93%	1.22%	0.17%	4.14%	-2.85%	-0.10%	1.22%	-0.15%	2.25%	-3.15%	-1.16%	0.97%	<b>0.38%</b>
2010						1.04%	0.37%	0.81%	3.80%	2.22%	-1.84%	3.72%	<b>10.44%</b>

**Important note: The performance numbers in the above table are the net actual and specific returns realized by a Day 1 full fee paying investor in the Metolius Diversified US Feeder Fund L.P. only (including a 1.5% management fee and 20% performance fee).**

## METOLIUS ENHANCED FUND (2.5X LEVERED)


FEBRUARY 2017 UPDATE

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2017	-3.52%	<b>-3.44%</b>											<b>-6.84%</b>
2016	6.75%	2.69%	-4.61%	-0.52%	-5.76%	5.67%	2.32%	-3.10%	-4.87%	-0.81%	1.39%	4.04%	<b>2.25%</b>
2015	19.84%	-4.42%	-1.23%	-6.99%	-5.23%*	-2.38%	0.63%	-1.02%	0.25%	-5.33%	7.74%	-2.32%	<b>-2.89%</b>
2014	-8.00%	2.81%	-2.93%	-4.32%	-1.33%	2.56%	1.44%	6.16%	14.17%	5.24%	8.16%	6.28%	<b>32.23%</b>
2013	7.00%	-2.20%	0.56%	2.11%	2.30%	-2.22%	-5.15%	-1.70%	-6.89%	-0.33%	4.69%	5.77%	<b>3.01%</b>
2012	-0.91%	2.63%	-3.23%	-6.78%	3.72%	-6.12%	5.29%	-2.00%	-0.26%	-5.14%	-1.42%	5.73%	<b>-9.11%</b>
2011	-4.53%	3.34%	0.67%	10.01%	-6.55%	-0.02%	3.11%	-0.18%	5.55%	-7.51%	-2.62%	2.70%	<b>2.59%</b>
2010						2.69%	1.08%	2.14%	9.36%	5.32%	-4.21%	9.08%	<b>27.59%</b>

**Metolius Enhanced Fund L.P. (including a 0% management fee and 25% performance fee)**

**Important Note: 2015 YTD is actual return for June 2015-Dec 2015 performance**

\* THE PERFORMANCE FROM JUNE 2010 THROUGH MAY 2015 CONSISTS OF PRO FORMA PAST PERFORMANCE OF METOLIUS CAPITAL, LLC'S ENHANCED FUND

Risk	Portfolio	Currencies	Commodities	Stock Indices	Interest Rates	Sector Risk (VaR)	
VaR (Hist. 3 Yr 95% 1 Day)	57 bp	26 bp	11 bp	43 bp	16 bp		 <ul style="list-style-type: none"> <li>■ Currencies</li> <li>■ Commodities</li> <li>■ Equities</li> <li>■ Interest Rates</li> </ul>
Gross Notional Exposure (as multiple of AUM)*	2.47x AUM	0.74 x AUM	0.15 x AUM	0.44 x AUM	1.14 x AUM		

\*All data above is for the Metolius Diversified US Feeder Fund. The notional value of the short term interest rate contracts have been adjusted to reflect their contribution to portfolio volatility.

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The Metolius US Feeder Fund was down -1.50% in February bringing YTD losses to -3.00%. Fixed income (-0.89%) and currencies (-0.53%) were negative with stock indices (+0.39%) producing positive returns.

Charles Brandes has been a successful value stock investor over the years. He condensed his value philosophy into a four-step test to see if a company is a true value stock deserving of further research. Those steps are:

- 1) No losses sustained in the last 5 years
- 2) Total debt < 100% of tangible equity
- 3) Share Price < Book Value/share
- 4) Earnings Yield is at least twice the yield on 20 Year AAA bonds

At the stock market bottom in March of 2009, there were 25 stocks in the S&P 500, or 5%, that passed Brandes' test. For the Russell 3000, 137 of 3000 stocks passed the screen at the bottom. For comparison, *not a single S&P 500 company currently passes*, although Metlife (MET) is close. From the much broader Russell 3000 universe, currently only two stocks pass, Assured Guaranty (AGO) and PDL Biopharma (PDLI).

If interest rates continue to stay extremely low for years, then two of the metrics that Brandes uses (earnings yield and debt) won't be such a hurdle for future stock prices. If interest rates increase substantially though, stocks will simply look expensive now. Very expensive.

We continue to think there is more upside to stock markets as the tax and deregulation direction bodes well. From a risk standpoint though, we recognize that stocks are not cheap and most everything is still a trade rather than an investment.

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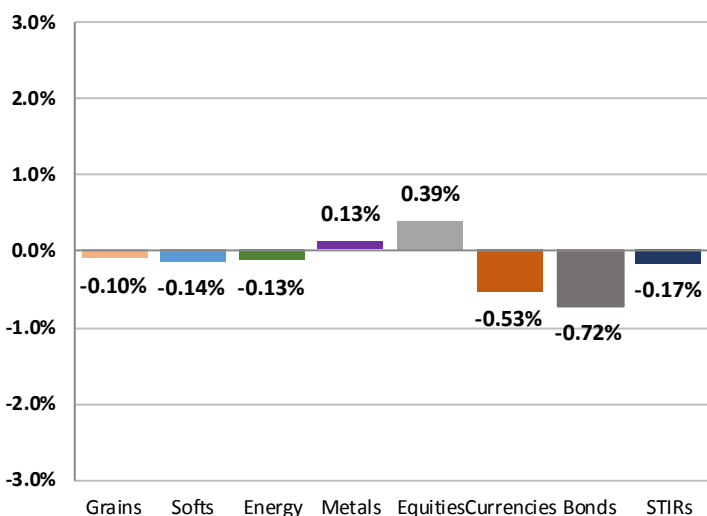
## Firm Overview

Onshore/Enhanced Fund:	Illinois L.P.
Offshore Fund/Master:	Cayman Ltd.
Minimum Managed Account:	\$4 million
Minimum Fund Investment:	\$100,000
Legal:	Greenberg Traurig, LLP
Fund Administration:	NAV Consulting, Inc. (USA, Cayman Islands)
Independent Auditor:	Arthur Bell and Associates
US Feeder Fund Fee Structure:	1.5% / 20%
Enhanced Fund Fee Structure:	0% / 25%
Liquidity:	Monthly
Total Firm AUM:	\$167 million (as of Mar 1, 2017)

## Summary Statistics for US Feeder Fund

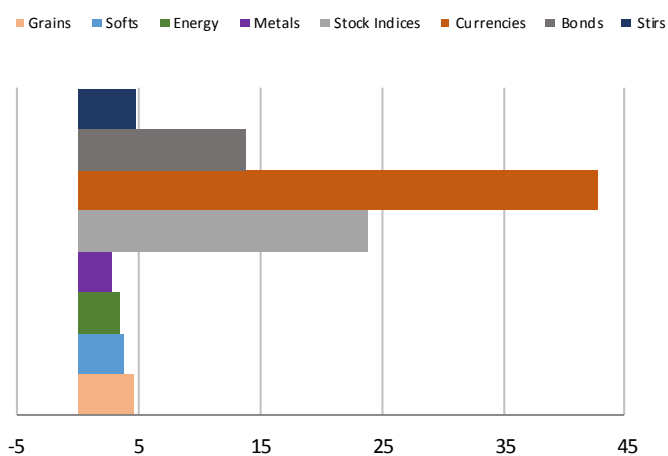
Year to Date Return:	-3.00% (net of fees)
Compound Annual Return:	1.78%
Std Dev of Monthly Returns:	2.18%
Sharpe Ratio (rf=0):	0.24
Average Annual Drawdown:	-6.86%
Max Peak-to-Valley Drawdown:	-13.61%
Annualized Volatility:	8.13%
Correlation to HFR systematic:	0.61
Correlation to HFR Macro Index:	0.53
Correlation to S&P 500:	0.08
Average Margin/Equity:	5.96% (since inception)

## Gross Returns for February 2017: By Market Sector



All data above is for the Metolius Diversified US Feeder Fund.

## Margin Allocation (%)

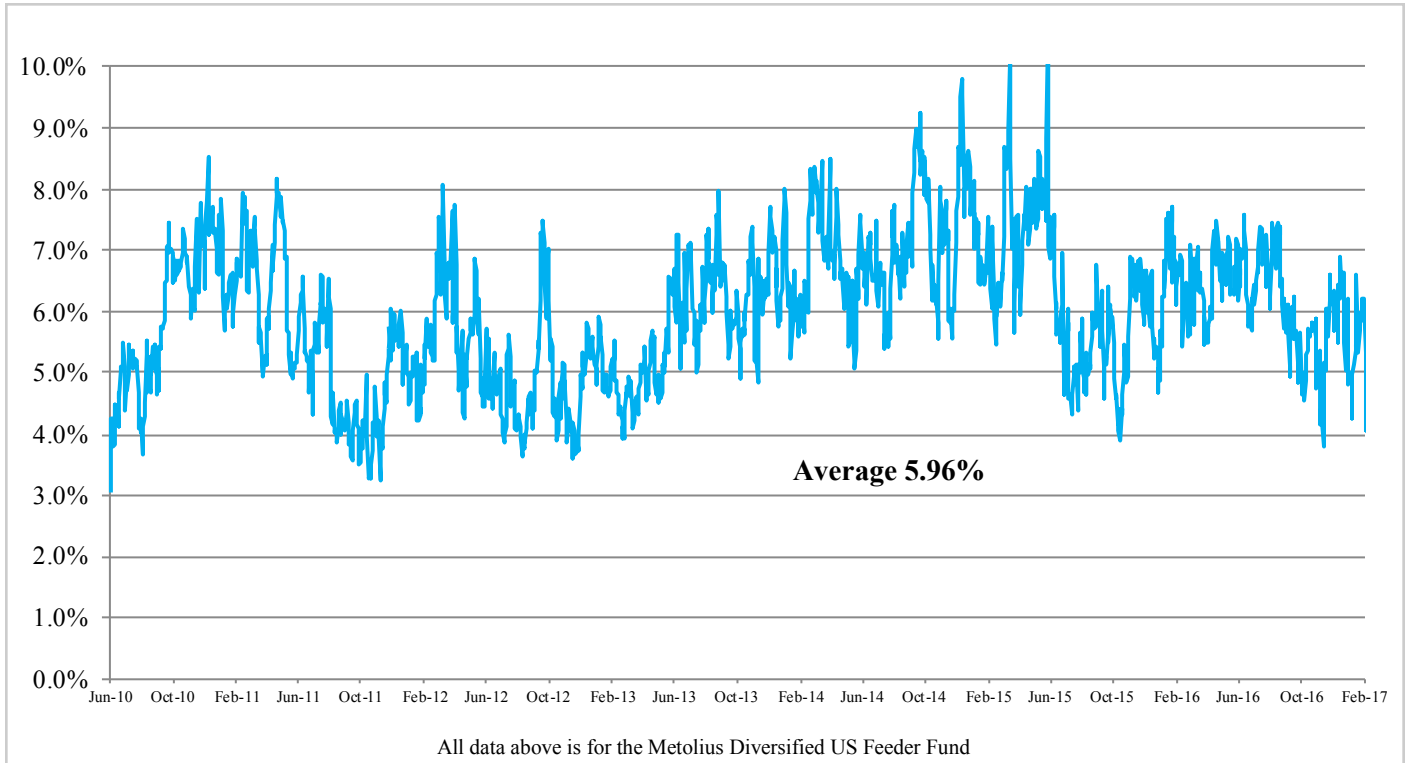


The data above is for the Metolius Diversified US Feeder Fund as of February 28, 2017.

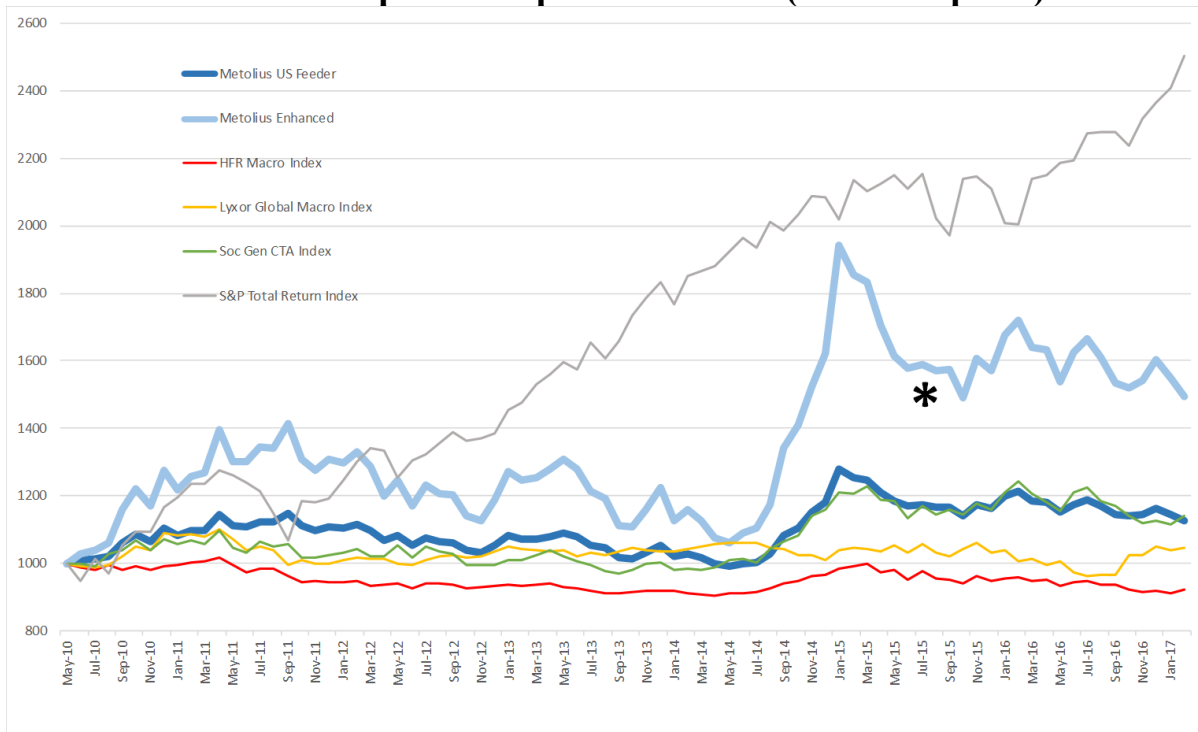
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**Daily Margin to Equity Ratio (since inception)**



**Metolius Capital Comparison Charts (since inception)**



**\* Pro forma performance used prior to June 1, 2015**

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