

## METOLIUS DIVERSIFIED US FEEDER FUND

**JULY 2018 UPDATE**

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2018	4.51%	-4.70%	-0.68%	-1.19%	-1.59%	-1.77%	-1.56%						<b>-6.98%</b>
2017	-1.53%	-1.50%	-0.99%	0.56%	0.47%	0.04%	1.39%	-0.83%	-0.39%	0.67%	0.13%	1.15%	<b>-0.87%</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). Our goal is to manage all accounts pari passu.**

## METOLIUS ENHANCED FUND (2.5x LEVERED)

**JULY 2018 UPDATE**

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2018	8.96%	-9.31%	-1.39%	-2.68%	-3.68%	-4.13%	-3.60%						<b>-15.58%</b>
2017	-3.52%	-3.45%	-2.18%	1.70%	1.48%	0.40%	3.79%	-1.77%	-0.68%	1.97%	0.63%	3.18%	<b>1.23%</b>
2016	6.75%	2.69%	-4.60%	-0.52%	-5.76%	5.68%	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)**

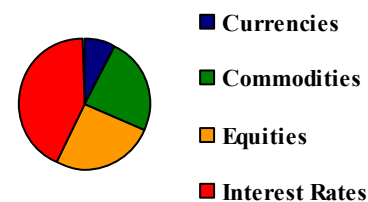
**Important Note: 2015 YTD is actual return for June 2015-Dec 2015 performance**

\* 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
<b>VaR (Hist. 3 Yr 95% 1 Day)</b>	35 bp	5 bp	15 bp	16 bp	27 bp
<b>Gross Notional Exposure (as multiple of AUM)*</b>	2.69 x AUM	0.29 x AUM	0.21 x AUM	0.39 x AUM	1.80 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.

### Sector Risk (VaR)



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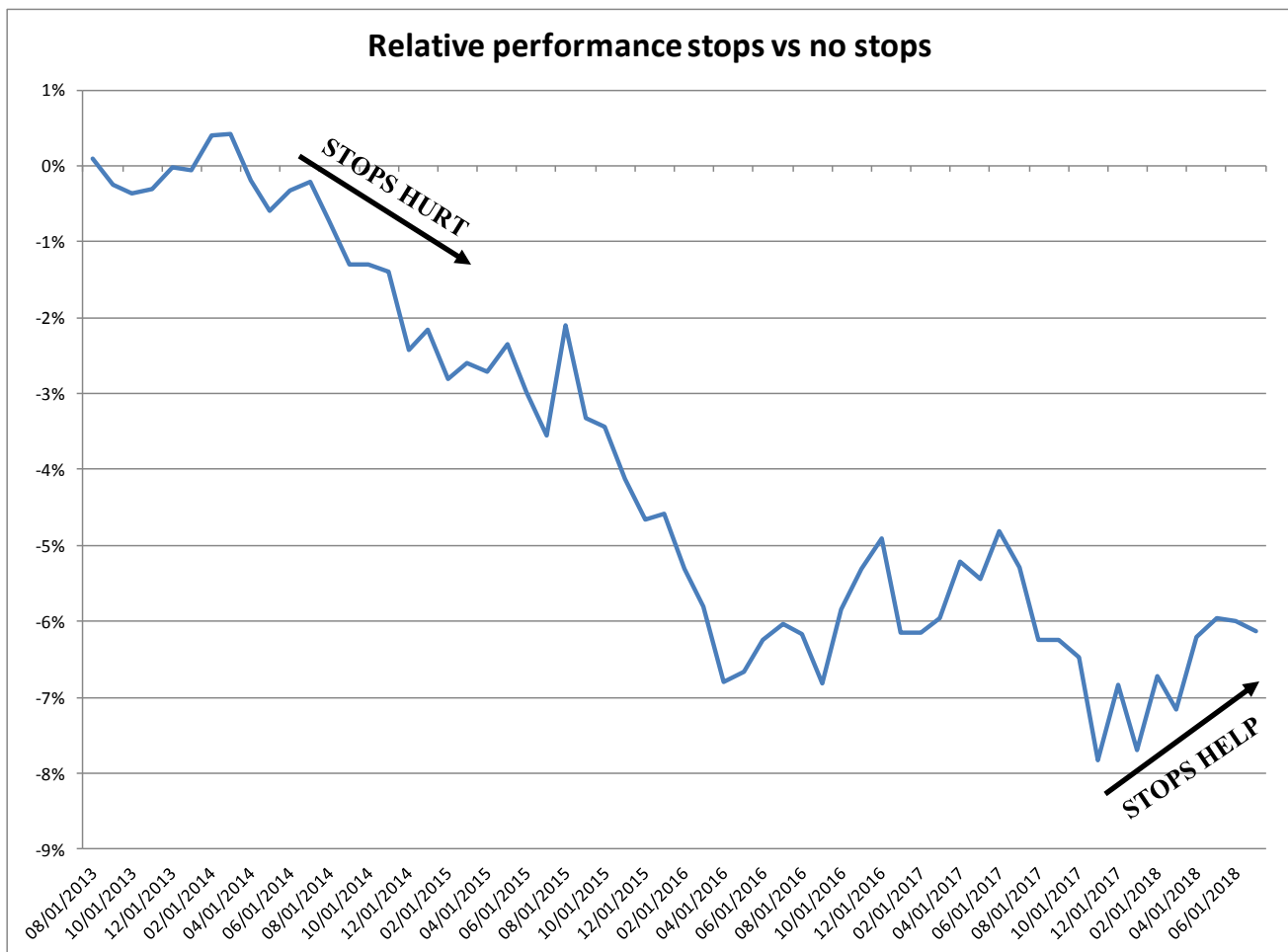
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The Metolius US Feeder Fund lost 1.56% in July. The bulk of the losses came in currencies (-0.69%) and energy (-0.38%).

The front and center question is why has Metolius done so poorly this year?

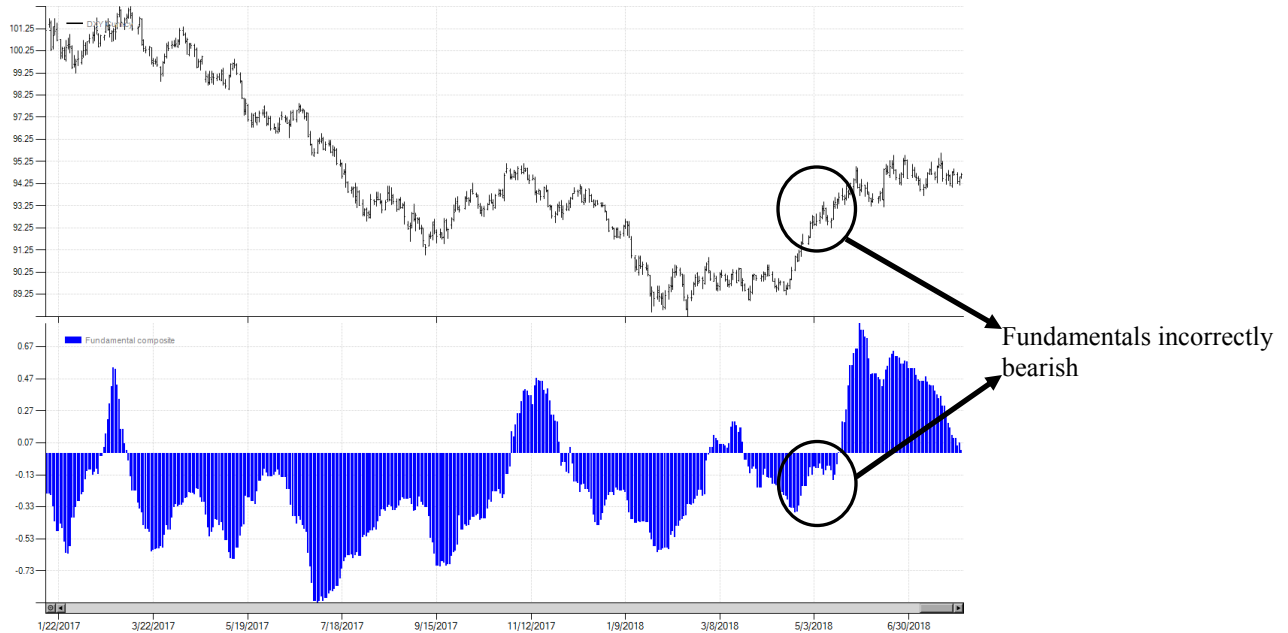
1) Is it the use of stops in a choppy market environment? That answer is basically “no”. Adding together the systems we use that are applicable to this type of test shows a slight gain of 20 basis points in using stops versus no stops in 2018:



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2) Is it our extensive use of fundamentals? Overall fundamentals have certainly helped, but there have been periods when they hurt. An example in 2018 of a wrong call that hurt us fundamentally was the Dollar Index. When our fundamentals stayed bearish too long this year:

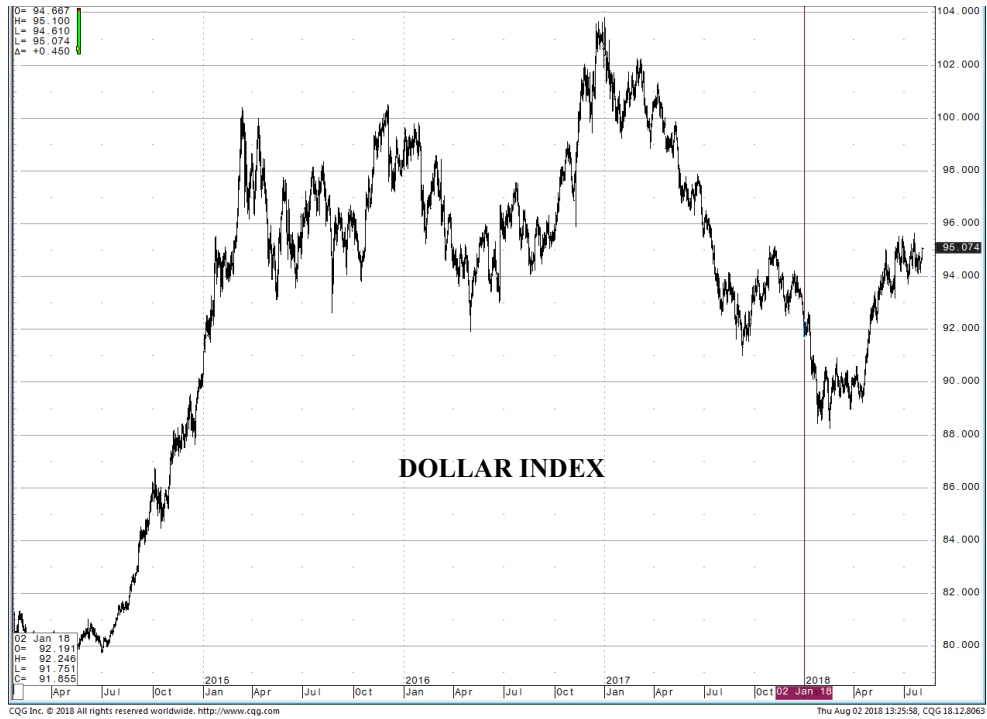


3) Is it lack of directional movement? That answer strikes us as “yes, this is part of our problem in 2018”. Here are charts of price movements in some of the main markets this year:



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4) Starting in 2012 we researched building shorter term, automated trading systems that would perform well in choppy markets as well as in directional markets. We went live with those in 2016 and they have slowly but steadily grown from a single digit percentage of Metolius to now almost 20%. How did they perform? In 2016 and 2017 they made a solid, consistent return in the low teens with no correlation to trend following. In 2018 though, they are down about 10% YTD; so “yes”, they are part of the problem this year.

In response to current returns, our margin to equity ratio is at historic lows as we keep our powder dry. We undertook a thorough review of our systems, especially ATS (our newer automated trading system), and believe that no major changes are warranted at this time. We continue to focus on researching new ideas especially in ATS and feel strongly about its future.

Overall we assume this is part of the normal, difficult periods of drawdowns that come with disciplined trading. The daily and weekly charts of currencies or commodities continue to look and act no different to us now than they did decades ago.

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## Firm Overview

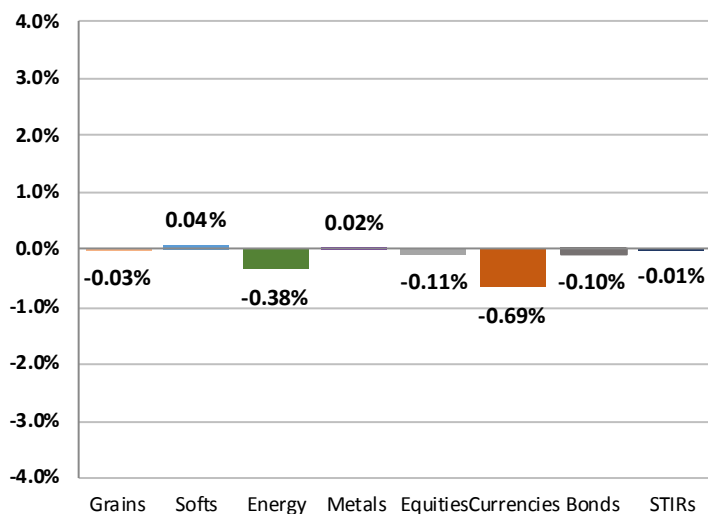
Onshore/Enhanced Fund:	Illinois L.P.
Offshore Fund/Master:	Cayman Ltd.
Minimum Managed Account:	\$3 million
Minimum Fund Investment:	\$100,000
Legal:	Greenberg Traurig, LLP
Fund Administration:	NAV Consulting, Inc. (USA, Cayman Islands)
Independent Auditor:	Arthur Bell and Associates
US Feeder Fund Fee Structure:	1.5% / 20%
Enhanced Fund Fee Structure:	0% / 25%
Liquidity:	Monthly
Total Firm AUM:	\$151 million* (as of Aug 1, 2018)

## Summary Statistics for US Feeder Fund

Year to Date Return:	-6.98% (net of fees)
Compound Annual Return:	0.85%
Std Dev of Monthly Returns:	2.13%
Sharpe Ratio (rf=0):	0.11
Average Annual Drawdown:	-7.13%
Max Peak-to-Valley Drawdown:	-13.61%
Annualized Volatility:	7.67%
Correlation to HFR systematic:	0.60
Correlation to HFR Macro Index:	0.52
Correlation to S&P 500:	0.00
Average Margin/Equity:	5.69% (since inception)

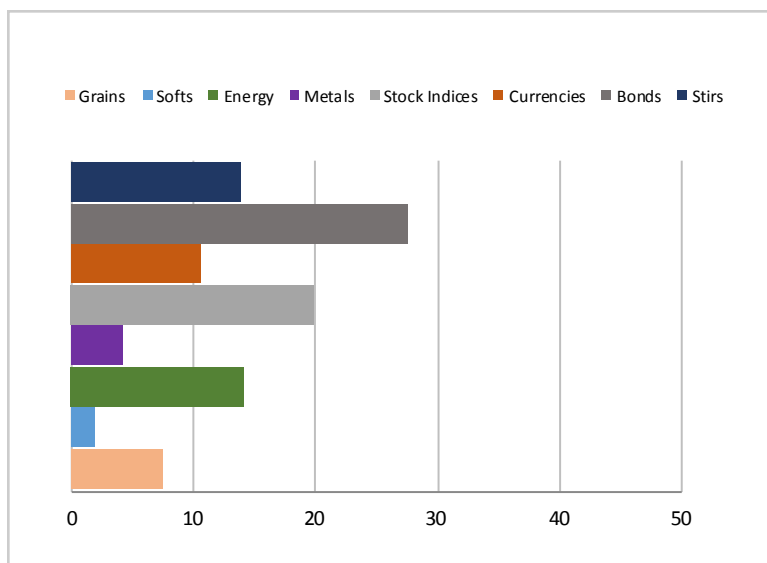
**\*68% of Total AUM is comprised of proprietary capital (principals and employees)**

## Gross Returns for July 2018: By Market Sector



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

## Margin Allocation (%)

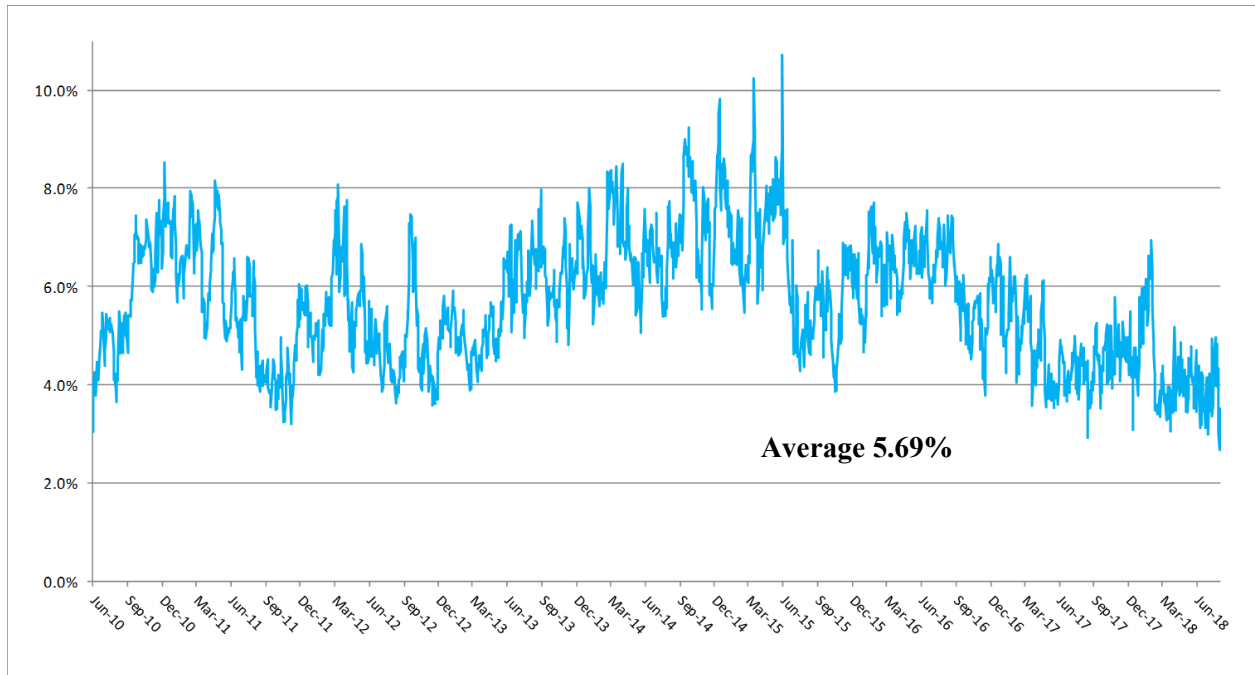


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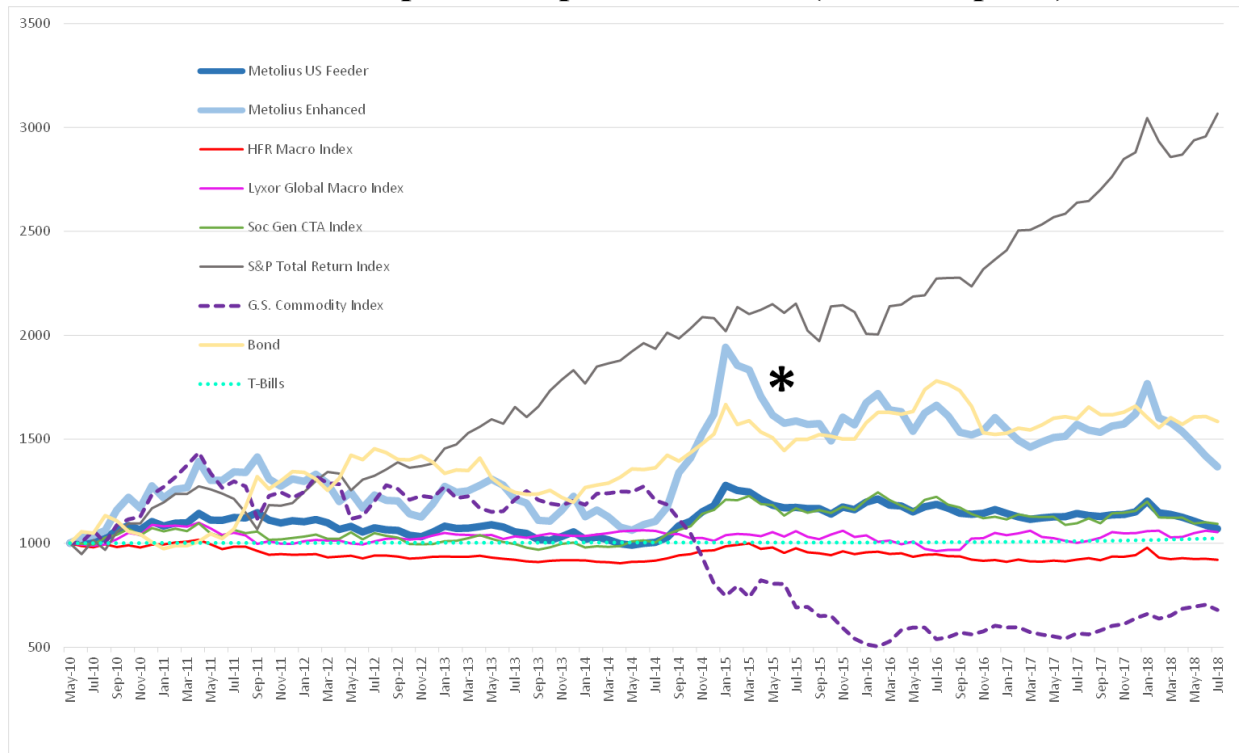
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**Daily Margin to Equity Ratio (since inception)**



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



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

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