METOLIUS CAPITAL LLC

METOLIUS ENHANCED FUND (2.5x LEVERED) FEBRUARY 2021 UPDATE

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2021	2.53%	10.56%											**13.35%**
2020	0.22%	2.68%	13.01%	-0.20%	0.76%	-2.00%	11.51%	4.87%	-8.00%	-3.80%	2.96%	9.49%	**33.72%**
2019	-5.43%	-2.81%	2.50%	-0.13%	0.78%	2.08%	-0.94%	8.13%	-10.23%	-1.96%	0.49%	4.88%	**-3.84%**
2018	8.96%	-9.31%	-1.39%	-2.68%	-3.68%	-4.13%	-3.61%	-3.13%	-1.34%	3.77%	0.17%	7.55%	**-9.82%**
2017	-3.52%	-3.45%	-2.18%	1.70%	1.48%	0.40%	3.79%	-1.77%	-0.68%	1.97%	0.63%	3.16%	**1.24%**
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%	**2.25%**
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%	**-2.89%**
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%	**32.23%**
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%	**3.01%**
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%	**-9.11%**
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%	**2.59%**
2010						2.69%	1.08%	2.14%	9.36%	5.32%	-4.21%	9.08%	**27.59%**

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 THE METOLIUS ENHANCED FUND, L.P.

METOLIUS UNLEVERED BENCHMARK STRATEGY *

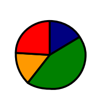
Year	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*June*	*July*	*Aug*	*Sept*	*Oct*	*Nov*	*Dec*	*YTD*
2021	*1.01%*	*4.22%*											***5.28%***
2020	*0.09%*	*1.07%*	*5.21%*	*-0.08%*	*0.36%*	*-0.85%*	*5.22%*	*1.94%*	*-3.18%*	*-1.52%*	*1.18%*	*3.79%*	***13.64%***
2019	*-2.18%*	*-1.13%*	*0.99%*	*-0.06%*	*0.30%*	*0.82%*	*-0.39%*	*3.24%*	*-4.11%*	*-0.80%*	*0.18%*	*1.94%*	***-1.40%***
2018	*4.58%*	*-4.57%*	*-0.57%*	*-1.09%*	*-1.48%*	*-1.67%*	*-1.46%*	*-1.27%*	*-0.55%*	*1.49%*	*0.06%*	*3.01%*	***-3.75%***
2017	*-1.42%*	*-1.39%*	*-0.88%*	*0.67%*	*0.58%*	*0.15%*	*1.50%*	*-0.72%*	*-0.28%*	*0.78%*	*0.24%*	*1.26%*	***0.43%***
2016	*3.20%*	*1.41%*	*-2.43%*	*-0.22%*	*-2.31%*	*2.26%*	*1.10%*	*-1.43%*	*-1.96%*	*-0.34%*	*0.55%*	*1.60%*	***1.26%***
2015	*7.90%*	*-1.69%*	*-0.48%*	*-2.81%*	*-2.11%*	*-0.94%*	*0.25%*	*-0.41%*	*0.10%*	*-2.13%*	*3.10%*	*-0.93%*	***-0.59%***
2014	*-3.24%*	*1.12%*	*-1.18%*	*-1.76%*	*-0.54%*	*1.01%*	*0.55%*	*2.44%*	*5.65%*	*2.02%*	*3.21%*	*2.44%*	***12.02%***
2013	*2.79%*	*-0.90%*	*0.21%*	*0.83%*	*0.90%*	*-0.90%*	*-2.08%*	*-0.70%*	*-2.77%*	*-0.15%*	*1.86%*	*2.29%*	***1.23%***
2012	*-0.38%*	*1.04%*	*-1.31%*	*-2.73%*	*1.47%*	*-2.47%*	*2.10%*	*-0.82%*	*-0.12%*	*-2.07%*	*-0.59%*	*2.27%*	***-3.70%***
2011	*-1.83%*	*1.32%*	*0.25%*	*4.00%*	*-2.56%*	*-0.02%*	*1.23%*	*-0.08%*	*2.19%*	*-3.02%*	*-1.07%*	*1.06%*	***1.25%***
2010						*1.06%*	*0.42%*	*0.84%*	*3.69%*	*2.12%*	*-1.67%*	*3.61%*	***10.40%***

*THE PERFORMANCE FROM JUNE 2010 THROUGH DECEMBER 2019 CONSISTS OF PRO FORMA PERFORMANCE OF AN UNLEVERED 0/25% STRATEGY. THE PERFORMANCE AS OF JAN 1, 2020 IS BASED ON HYPOTHETICAL PERFORMANCE OF AN UNLEVERED 0/25% INTERNAL TRACKING INVESTMENT.

Risk	Portfolio	Currencies	Commodities	Stock Indices	Interest Rates
VaR (Hist. 3 Yr 95% 1 Day)	84 bp	19 bp	49 bp	18 bp	27 bp
Gross Notional Exposure (as multiple of AUM)*	2.66 X AUM	0.60 x AUM	0.38 x AUM	0.17 x AUM	1.46 x AUM

All data above is for the Metolius Master Fund (unlevered).
*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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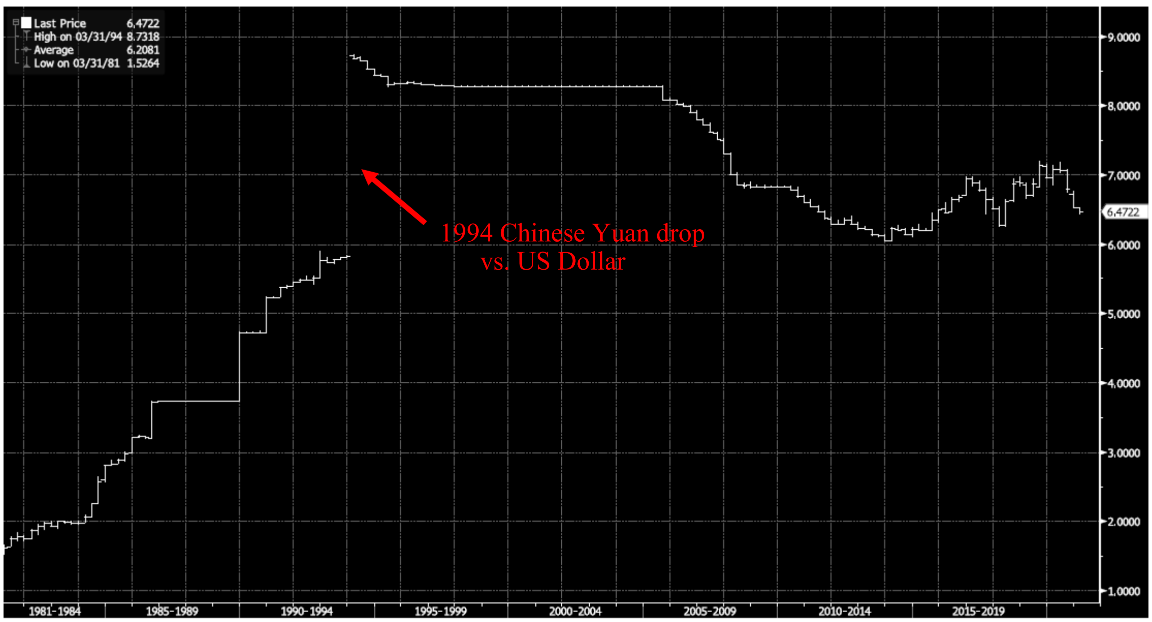
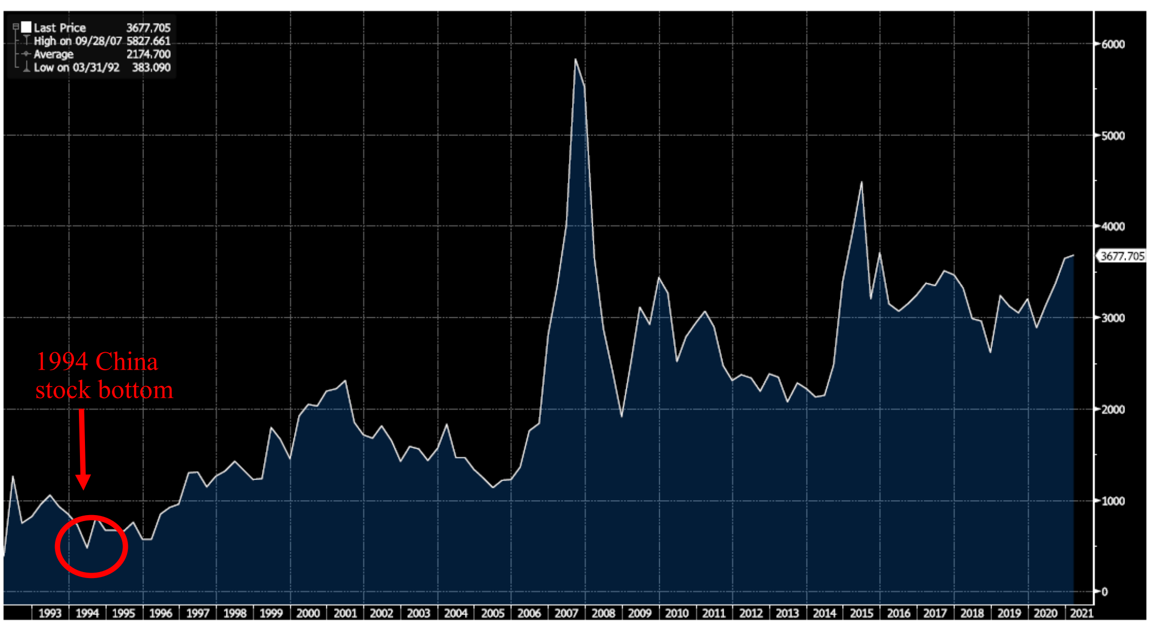
The Metolius Enhanced Fund returned 10.56% in February. It was led by energy and bond trading, with small losses in metals.

One overly simplified way to think about the finances of a country is as a three legged stool: its bond, stock, and currency markets. When China cut its currency by half overnight in 1994, we saw the factories in China boom and its stock market put in a major bottom that year. All else being equal, a lower currency lifts a country’s exports and manufacturing jobs and often its stock market. The worry is inflation would pick up and the bond market (the third leg) would fall hard. In China's case it did not fall too hard, in part, because low-cost factories helped to keep inflation in check around the world.





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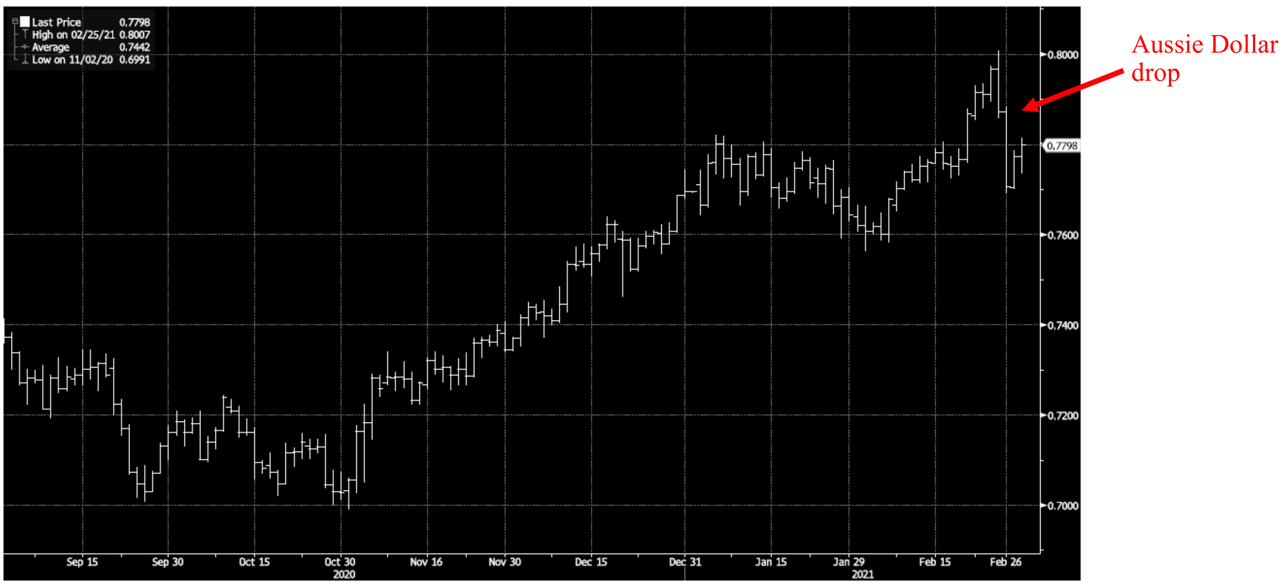
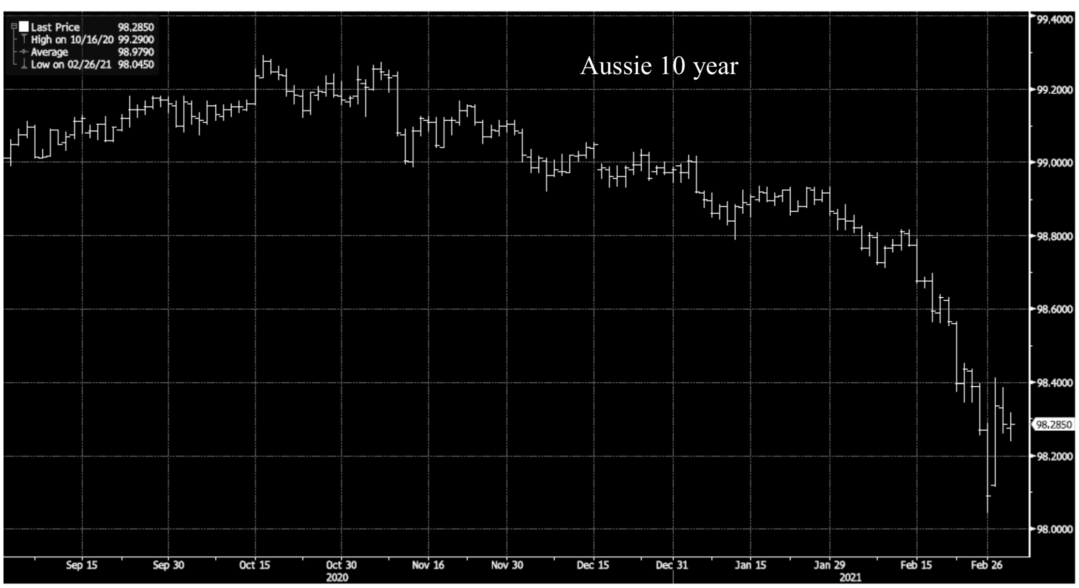
The Japanese and Swiss central bank's playbooks have been to print their currencies, thus lowering them vs the US Dollar, and then use that money to buy stocks, bonds, or infrastructure investments. This increases the debt of a country in general. It is a head scratcher and not exactly what we were taught in Econ 101, that this idea could work for years without some negative effect. So far, the three legs of the stool have held up while debt increases. Australia last week doubled down on its version. The Reserve Bank of Australia (RBA) started their "yield curve control" (YCC, get used to hearing those letters) on March 19, 2020. They began targeting the yield on their 3-year note at 0.25% and 8 months later lowered that to 0.10%.

As the market pulled away from their target price last week, the RBA intervened in markets by buying billions of notes. **That is when we ponder the overriding macro thought of our day.** Can you have everything? Or are central banks painting themselves into a corner supporting every leg of the stool? When the RBA bought 3-year notes, that market rallied. But....look what happened to its currency and long bond market. They both broke hard:





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This is the corner that central banks are in. Our Fed has played the same game and succeeded at it so far. The history of markets sternly says you cannot print your way to prosperity. All you are doing is borrowing from the future. Every country that has tried this has basically failed in the long term. Inflation creeps in and then accelerates causing a government to choose which leg of the stool to break. What are the arguments that "this time is different"? **Deflation caused by technology and demographics**. The head of Google has been making the case for many years that technology is a huge deflationary wave. I recently read a book by a technology company founder "The Price of Tomorrow: Why Deflation is the Key to an Abundant Future". He reasonably went over his facts for why deflation was caused by tech and here to stay. Interesting and certainly some truths.... but it left me feeling like I had mainly eaten a meal of air. Demographics are an argument, but do not strike me as a change in history yet. If inflation picks up OR markets lose faith in a currency, we will see that country's stool break. The choice left will be which leg of the stool to save, not "we can save all three". Most often in the end, a country lets its currency drop which causes energy, food, and necessary goods prices to rally for the individuals and companies.

Why is a systematic macro CTA worrying about that? If the job is mainly to make algos that are profitable, then just do that. The problem is in back testing a bond model, for example, it may tell us to simply buy a break and close your eyes and wait for it to rally because that has been the multi-decade past. The past may not be the future is, of course, the problem. The low volatility in FX markets and its recent mean reversion nature is not what its past has been. The commodity to stock ratio reached extreme levels a few months ago. All of this is part of building models or thinking about risk.

While the month's returns for Metolius were good, the late month moves were a struggle. Our position sizing and risk levels have decreased for the time being.

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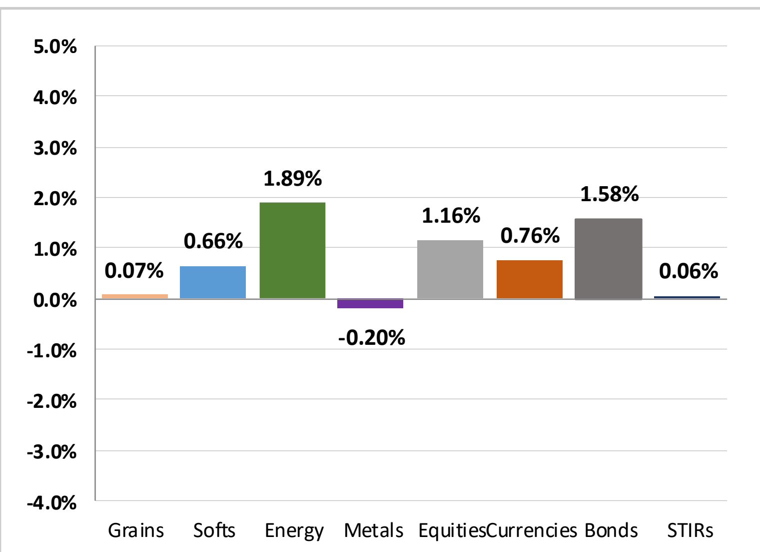
Firm Overview	
Enhanced Fund:	Illinois L.P.
Minimum Managed Account:	$3 million
Minimum Fund Investment:	$100,000
Legal:	Greenberg Traurig, LLP
Fund Administration:	NAV Consulting, Inc. (USA)
Independent Auditor:	Cohen & Company, Ltd.
Enhanced Fund Fee Structure:	0% / 25%
Liquidity:	Monthly
Total Firm AUM:	$184 million* (as of Mar 1, 2021)

***85% of Total AUM is comprised of proprietary capital (principals and employees)**

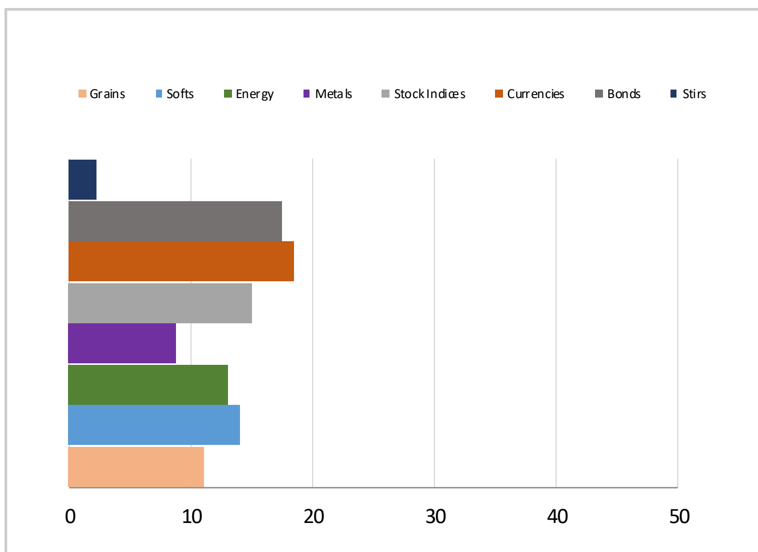
Summary Statistics (Unlevered)	
Year to Date Return:	5.28% (net of fees)
Compound Annual Return:	3.19%
Std Dev of Monthly Returns:	2.10%
Sharpe Ratio (rf=0):	0.44
Average Annual Drawdown:	-5.99%
Max Peak-to-Valley Drawdown:	-10.69%
Annualized Volatility:	7.94%
Correlation to HFR systematic:	0.57
Correlation to HFR Macro Index:	0.51
Correlation to S&P 500:	-0.09
Average Margin/Equity:	5.32% (since inception)

Gross Returns for February 2021: By Market Sector



All data above is for the Metolius Enhanced Fund

Margin Allocation (%)



The data above is for the Metolius Enhanced Fund as of February 28, 2021

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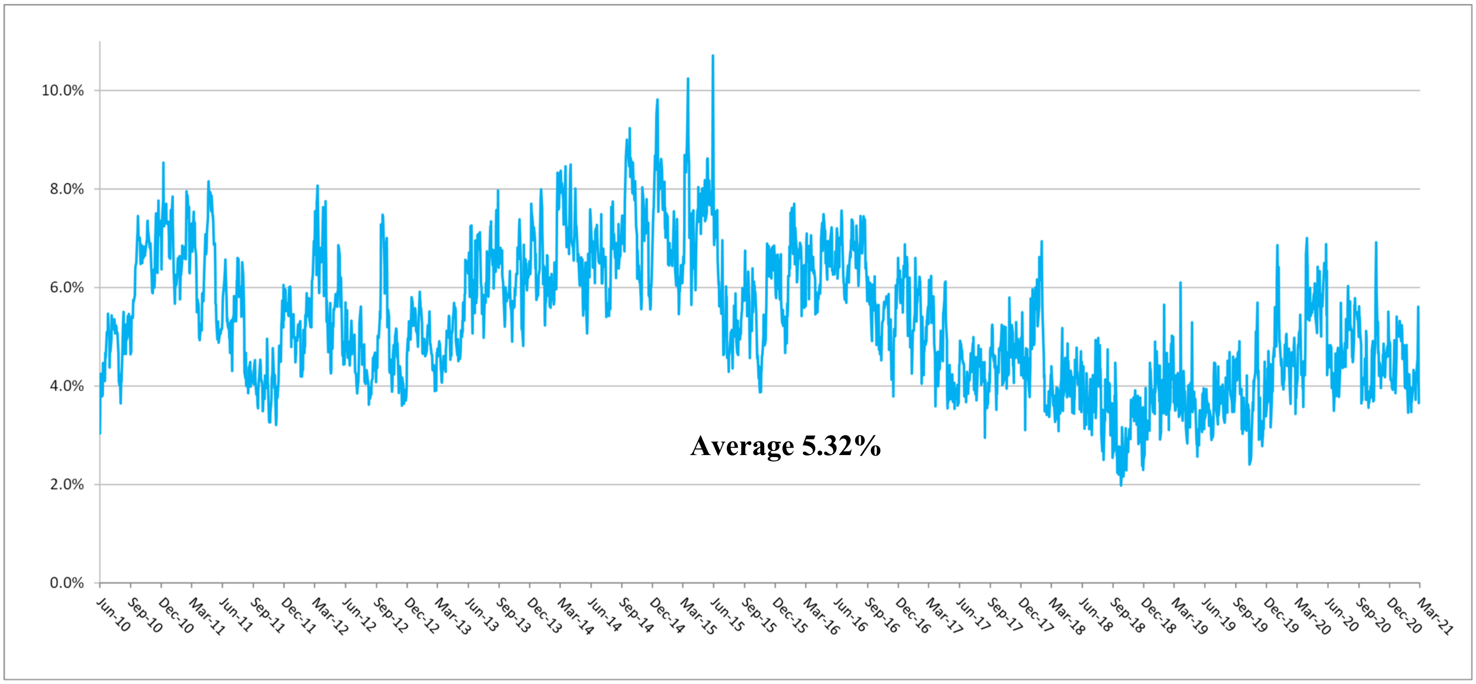
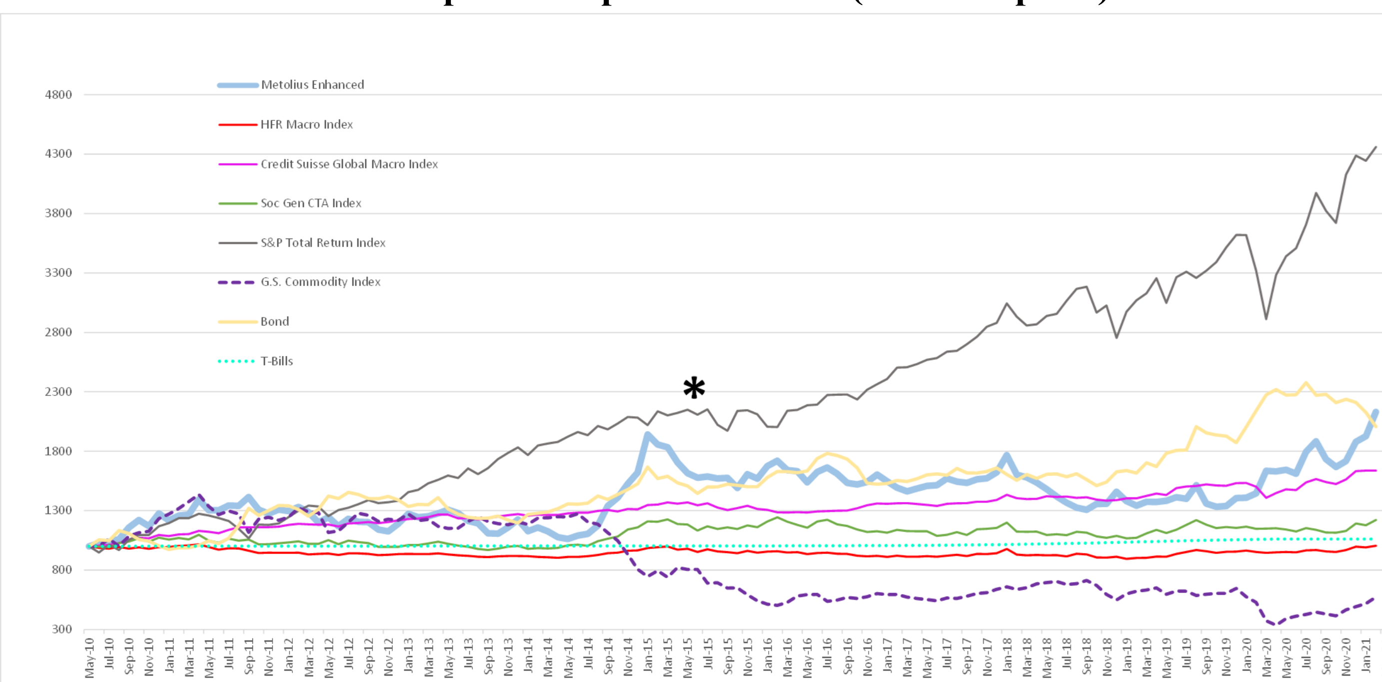
Daily Margin to Equity Ratio (since inception)



All data above is for the Metolius Enhanced Fund (unlevered)

Metolius Capital Comparison Charts (since inception)



* Pro forma performance used prior to June 1, 2015

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