BLACKHEATH
Fund Management Inc

Liquidity | Transparency | Absolute Returns

TACTICAL FI STRATEGY

1 NOVEMBER 2018

COMPANY OVERVIEW: BLACKHEATH FUND MANAGEMENT INC.

Blackheath Fund Management Inc. ("Blackheath") is a Commodity Trading Advisor ("CTA"), with headquarters in Toronto, Canada.

- A member of the National Futures Association (NFA); registered in the US with the CFTC and in Canada with the Ontario Securities Commission (OSC)
- Professional staff of 5
- Management team has over 25 years experience in exchange traded derivatives
- Senior team members are significantly invested in our strategies

COMPANY OVERVIEW: INVESTMENT STRATEGIES

Blackheath offers proprietary Investment Strategies, each strategy aiming to deliver risk adjusted returns that outperform the broad market indices and are uncorrelated to traditional asset classes.

The Blackheath Tactical FI Strategy

is a pure Global Macro strategy. Combining his finely honed perception of bond market fundamentals with time tested approaches to technical, cyclical, seasonal, sentiment, and flow of funds factors, Levente Mady strives to profit from the volatility in the fixed income futures markets.

Levente Mady, CFA

Levente Mady, is a Senior Derivatives Portfolio Manager at **PI Financial Corp,** the sub-Advisor to the Blackheath Tactical FI Strategy.

Levente has over 20 years in the Fixed Income space as an Analyst, Principal Trader, Market Maker, Portfolio Manager and Market Commentator.

OVERVIEW: KEY MEASUREMENTS

Markets Traded:

Primarily CBOT Treasury Bond options, with occasional underlying Treasury Bond futures contracts.

Sharpe Ratio*:

Sharpe Ratio (Annualized) 1.36 (Assuming risk-free rate, rf = 0.25%)

Approximate Holding Periods for Trades**:

Trades are made on a weekly cycle

Profitable Percentage*:

73% based on monthly returns since inception

RT/Million/Year**:

Approx. 1,500

Approximate Margin to Equity:

Average: 15%

* Based on the 'net' returns of the strategy, as shown on the slide 'Performance: Net Performance of the Strategy.'

** This analysis is approximate and is based on a representative account under the strategy

OVERVIEW: TACTICAL FI STRATEGY

Strategy:

Blackheath Tactical FI Strategy is a short term bond trading strategy that relies on many different inputs to achieve its investment objective.

Performance:

Since inception in October 2011 until October 31, 2018, the Blackheath Tactical FI Strategy has returned 184.09%*, with an annualized return of 15.88%*.

Correlation:

This unique Investment Strategy has allowed us to achieve low correlations to equities and other CTAs: 0.13* to SP500 and 0.02* to Barclay CTA index †

† The Barclay CTA Index measures the composite performance of established managed futures programs. For purposes of this index, an established trading program is a trading program that has four years or more documented performance history. Once a trading program passes this four-year hurdle, its subsequent performance is included in this unweighted index. The Barclay CTA Index does not represent an actual portfolio, which could be invested in, and therefore the index performance results should be deemed to be hypothetical in nature and of comparative value only.

The SP500 should not be considered a benchmark for any Blackheath products or for the managed futures industry in general. Blackheath products are alternative investment products and use of the SP500 index here is only for illustrative purposes as this index is a widely used benchmark for traditional investments.

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BLACKHEATH TACTICAL FI STRATEGY: STRATEGY DESCRIPTION

The strategy sells short term options (generally 10 days to expiry or less) on Fixed Income (FI) futures, in particular the US Treasury Bond Futures.

The optimum market exposure is decided by the analysis described on the “How it Works” page. Positions may consist of a combination of puts and calls.

Risk is closely controlled using Delta Hedging Analysis to arrive at the targeted market exposure, while risk is monitored on a continuous basis and adjusted as needed upon changes in market.

OVERVIEW: HOW IT WORKS

- It starts with the top down fundamental picture and then considers event based influences.*
- The short term analysis consists of trend, sentiment and seasonal analysis:
  - Trend analysis is fairly common and well documented
  - Sentiment analysis includes Commitment of Traders data, Trader Surveys, Option Positions, etc.
  - A proprietary software package provides specific odds of historical seasonal and cyclical trading patterns

*For interested investors, the Portfolio Manager writes a weekly commentary on the bond outlook and his thoughts on where bond markets have been and where they may be going.

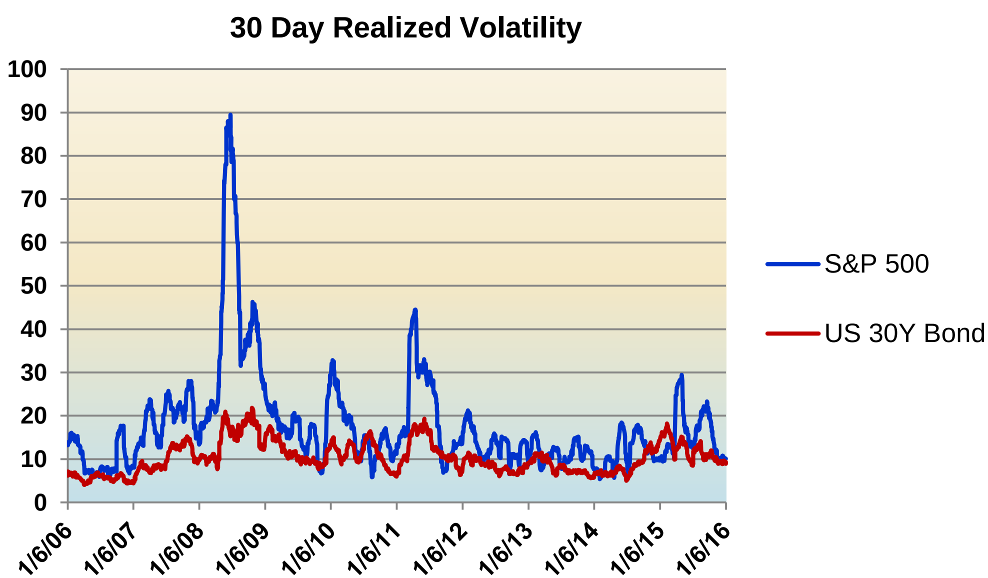
OVERVIEW: RISK MANAGEMENT

- Risk is closely controlled using Delta Hedging Analysis to arrive at the optimal market exposure
- The risk exposure is monitored on a continuous basis and adjusted as needed upon changes in market conditions – which may be multiple times in a day
- Targets trading units of 5% Margin to Equity (MER) with max margin at 35% MER
- Uses rolling or selling additional options to manage target delta
- Targets max delta < 1.5 per $50,000, on one side of the market
- Max 4 options/futures contracts per $50,000 base unit
- Typical short option position has initial delta <0.4 with 4-20 days to expiry

OVERVIEW: VOLATILITY

Commodity Trading Advisors and Investors focused on Short Volatility strategies need to be keenly aware of spikes in volatility. Significant events and the Financial Crisis of 2008 – 2009, marked substantial increases in volatility in both the equity markets as well as in the US Government Bond markets.

The Blackheath Tactical FI strategy is focused on the US 30 Year Bond. We believe that the chart data supports our belief that the US 30 Bond is a more favorable underlying market compared to the S&P 500 for short volatility strategies.



PERFORMANCE: NET PERFORMANCE OF THE STRATEGY

Blackheath Tactical FI Strategy Pro-forma, Composite Net Returns†

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	-1.92%	-0.65%	3.13%	0.33%	-1.53%	2.93%	-1.72%	4.21%	-3.01	-1.11%			**0.40%**
2017	-0.53%	0.66%	-2.52%	1.35%	3.15%	1.29%	0.06%	0.16%	0.85%	2.08%	0.84%	0.41%	**7.95%**
2016	1.73%	3.32%	1.34%	-0.83%	2.68%	-9.65%	-3.55%	5.81%	2.88%	1.58%	-6.07%	3.36%	**1.47%**
2015	3.84%	6.64%	-5.84%	3.05%	6.01%	-1.06%	-4.37%	-0.91%	6.09%	1.44%	1.85%	0.59%	**17.75%**
2014	1.23%	0.42%	5.39%	0.37%	4.78%	6.35%	-1.56%	5.09%	1.95%	0.73%	3.13%	2.88%	**35.07%**
2013	1.80%	4.08%	1.34%	3.51%	-6.52%	-3.87%	3.33%	-0.91%	2.15%	2.68%	3.25%	0.22%	**10.98%**
2012	4.78%	3.89%	0.97%	-3.56%	-0.33%	6.52%	3.64%	-5.76%	3.70%	4.24%	2.36%	3.88%	**26.33%**
2011										2.41%	4.61%	8.14%	**15.86%**

The strategy has returned **184.09%** since its inception in Oct 2011.

† Starting in November 2015, the track record shows the composite performance of the strategy, calculated using the Only Accounts Traded (OAT) method. From October 2011 to October 2015, (colored background), the performance shown is the proprietary, pro-forma net returns of the strategy, based on the actual trading results as observed in a single, proprietary flagship account traded under the strategy, assuming a beginning trading size of approximately US$90,000. Please note that the results for this period are based on certain assumptions that have inherent limitations, some of which are described herein. The actual broker records of this proprietary account are stated in Canadian dollars (CAD); the month-end account value was converted and restated in USD, assuming the USD/CAD exchange rate as the last price on the last trading day of each month [Data Source: Bloomberg]. Such a currency related assumption, combined with the difference in fee structure from the one assumed for this calculation, can lead to moderate leveraging in the account over certain time periods during the course of this track record. Also, please note that the proprietary account has favourably negotiated trading commissions. Additional details of this computation and calculation of the performance are available upon request.

Net returns are calculated assuming a fee structure of a 2% Management Fee accrued monthly and a 20% Incentive Fee paid quarterly. Separately Managed Account performance can be higher or lower than the above reported performance of the program depending on several factors, such as commission and fee levels, investment amount, duration, the actual prices achieved, the portfolio composition and government taxes (if any). While the results here are based on pro-forma adjustments assuming the given fee structure, in reality, accounts may have a different fee structure, a different fee payment periodicity, different (higher or lower) commission levels and government taxes (if applicable) which may significantly distort the net performance observed in an actual account. Also, in reality, some managed accounts can be traded with a higher leverage and such leverage changes over time and this could result in significantly different performance in an actual account.l account.

PERFORMANCE: STATISTICAL ANALYSIS*

Returns and Risk Characteristics	Strategy	Barclay CTA	SP500
Annualized Return	15.88%	-0.17%	13.13%
Compounded Monthly Returns	1.24%	-0.01%	1.03%
Highest 12-Month Return	47.14%	12.38%	29.60%
Lowest 12-Month Return	-7.03%	-5.40%	-8.19%
Annualized Monthly Volatility	11.48%	4.40%	10.53%
Sharpe Ratio1 (Annualized)	1.36	-0.10	1.22
Maximum Drawdown	12.86%	7.61%	8.89%

Benchmark Comparison	vs. Barclay CTA	vs. SP500
Correlation	0.02	0.13

Note 1: Assuming risk-free rate, rf = 0.25%

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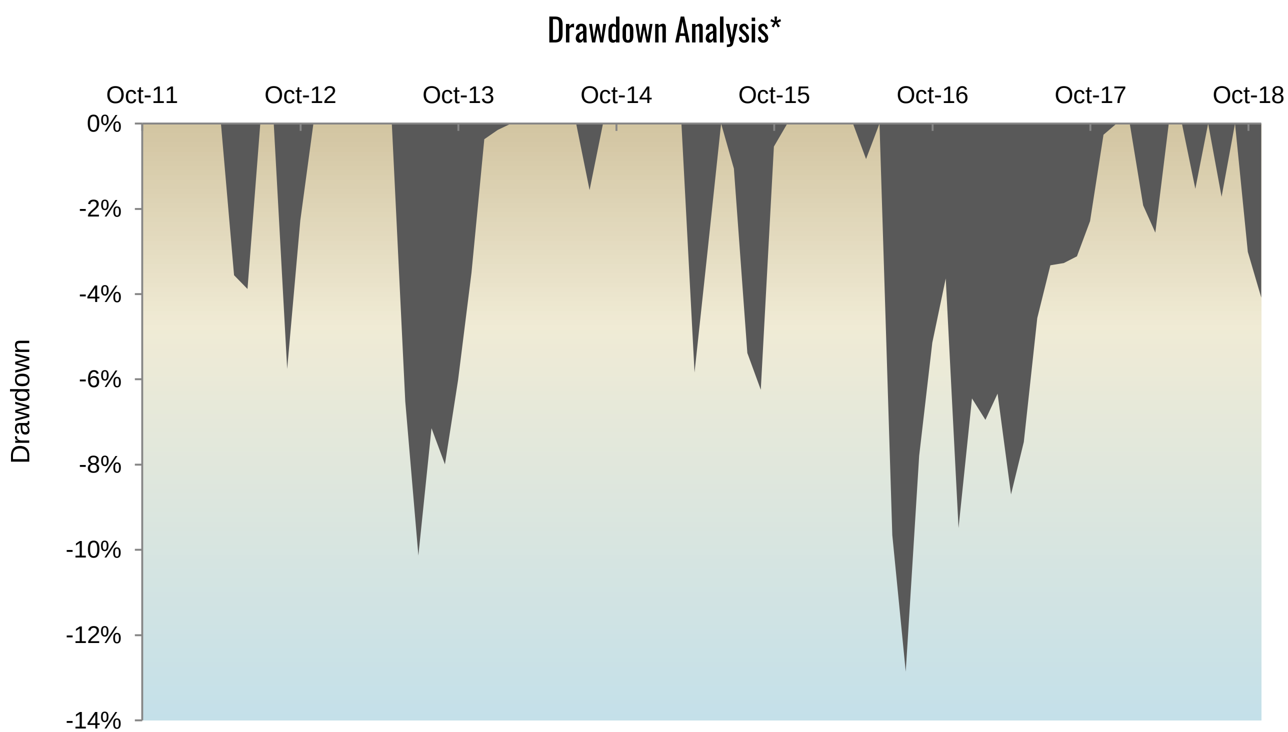
COMMODITY TRADING INVOLVES SUBSTANTIAL RISK OF LOSS. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

PERFORMANCE: DRAWDOWN ANALYSIS



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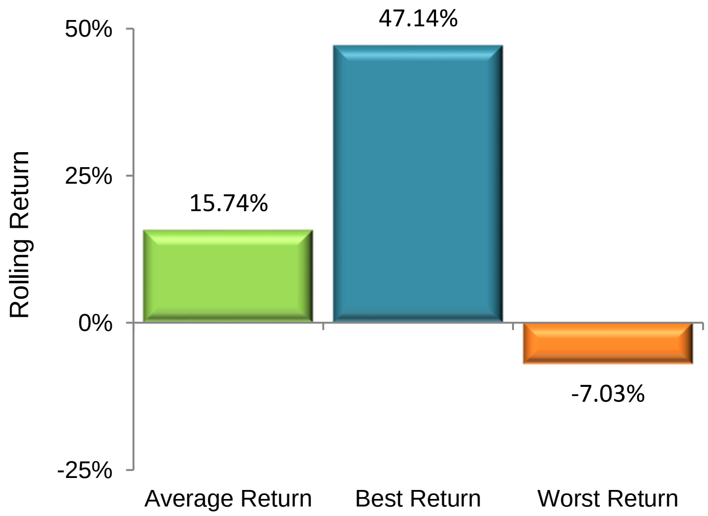
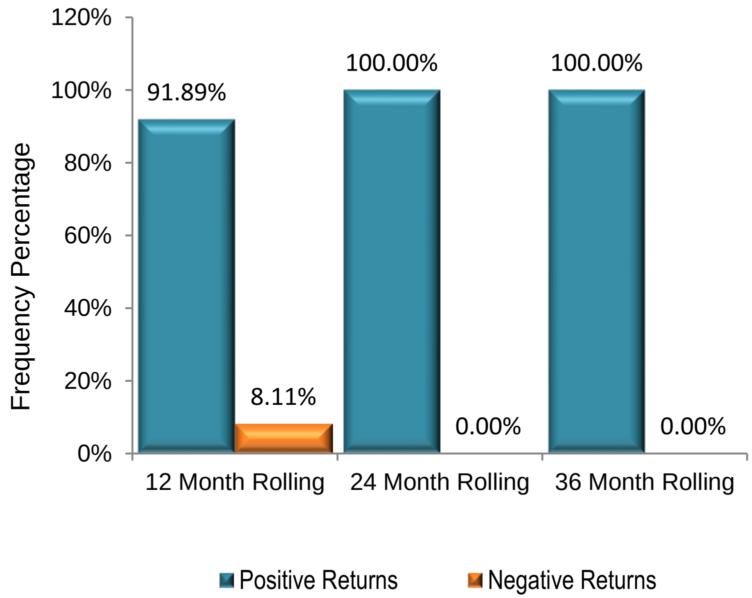
PERFORMANCE: ADDITIONAL STATISTICS

Strategy Returns for Rolling 12 Month Period*



% Profitable For Rolling Periods*



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SUB-ADVISOR: PI FINANCIAL CORP.

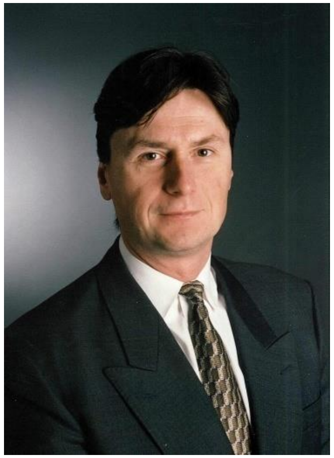
Levente Mady, is a Senior Derivatives Portfolio Manager with **PI Financial Corp,** the Sub-Advisor to the Blackheath Tactical FI Strategy. and a Fixed Income (FI) Market specialist with 25 years of experience in the North American interest rate markets.

Before joining PI Financial Corp. in 2012, Levente managed multi-million dollar bond portfolios for investment counsel including CIBC Wood Gundy Securities Inc. and Deutsche Bank AG, Canada Branch.

Levente is also licensed for, and has extensive experience in, trading financial futures and options. Combining his fixed income background with his option trading expertise, he focuses on generating superior returns in the US Treasury Bond futures market.

Levente holds an MBA degree in Finance from the University of Toronto. As well, he earned his Chartered Financial Analyst (CFA) designation in 1993.

He was a member of Canada’s National Swim Team for several years and has represented Canada at a number of international competitions such as the Olympic Games, the World Championships and the World University Games.



Levente Mady

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