



# MONTHLY PERFORMANCE REPORT

## JUNE 2017

**GENERAL INFORMATION**

**Base Currency:** AUD  
**Entity Type:** Registered Managed Investment Scheme  
**PMs:** Marcel von Pfyffer (CIO)  
 Neill Colledge  
**Launch date:** NOV 2016  
**Benchmark:** 0% (Absolute Return)

**Fees:** 1.26% base and 10.125% performance fee ("PF"). The PF is calculated on the excess return and is accrued monthly in the unit price and paid monthly.

**Domicile:** Australia  
**Close of Financial Year:** 30<sup>th</sup> June  
**Unit Pricing:** Weekly  
**APIR:** EVO0006AU platforms  
 EVO0005AU direct

**ISIN:** AU60EVO00063 platforms  
 AU60EVO00055 direct

**ARSN:** 614 078 812

**Fund Responsible Entity:**  
 Evolution Trustees Limited  
 ACN 611839519  
**Fund Administration:** APEX Fund Services (Australia)  
**Fund Custodian:** AET Structured Finance Services Pty Limited  
**Prime Broker:** Interactive Brokers  
*(for the underlying fund).*

**Compliance:** King Irving  
**NAV:** \$6,733,191.17  
**Unit Price:** 1.0728

**INVESTMENT MANAGER**  
 Arminius Capital Management Pty Ltd AFSR 001244100 licensed by: Arminius Capital Advisory Pty Ltd AFSL 461307

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The Fund returned +0.94% for the month of June 2017, compared with -0.05% for the S&P/ASX 200 (XJO). The ASX 200 including dividends (XNT) returned +0.11% for the month. The Fund achieved its return with lower volatility than the S&P/ASX 200, as a consequence of our risk averse strategies.

Closing out the second quarter of 2017, our stance increasingly turns pragmatic in the geo-political sense; negative on Australia, cautious globally. Our econometric models are locating less value in local and global markets than in the 1<sup>st</sup> quarter. The US dollar and continued expected rises in US interest rates may eventually lead to more defaults in lower-quality sovereign and corporate bonds.

PERFORMANCE (Inception NOV-2016)	Arminius Capital GMMA Fund	S&P/ASX200 XJO (AUD)	S&P/ASX200 XNT TOTAL RETURN (AUD)	HFRX (USD) ABSOLUTE RETURN INDEX	CREDIT SUISSE GLOBAL MACRO (USD) INDEX
1 Month	0.94%	-0.05%	0.11%	0.10%	1.13%
3 Months	1.02%	-2.45%	-1.66%	0.72%	2.14%
Calendar YTD	4.01%	0.98%	3.00%	1.38%	6.48%
1 Year	-	9.33%	13.74%	1.93%	8.27%
3 Years	-	6.04%	20.16%	3.54%	-0.84%
5 Years	-	39.73%	72.21%	10.01%	-2.44%
<b>Since Inception NOV 2016</b>	<b>7.28%</b>	<b>7.59%</b>	<b>10.64%</b>	<b>1.42%</b>	<b>4.43%</b>

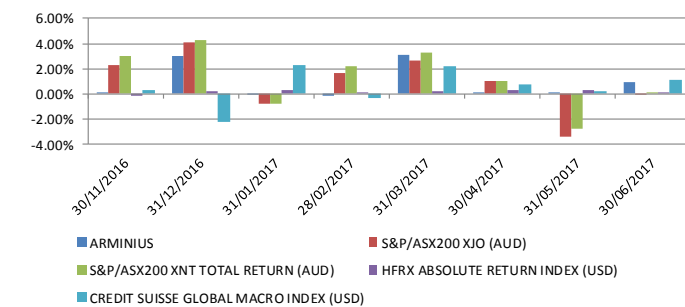
Arminius Capital GMMA Fund (Inception NOV 2016) Returns are net of fees

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY
2016	-	-	-	-	-	-	-	-	INCEPTION =>		0.08%	3.06%	3.14%
2017	-0.02%	-0.14%	3.14%	0.02%	0.06%	0.94%							4.01%

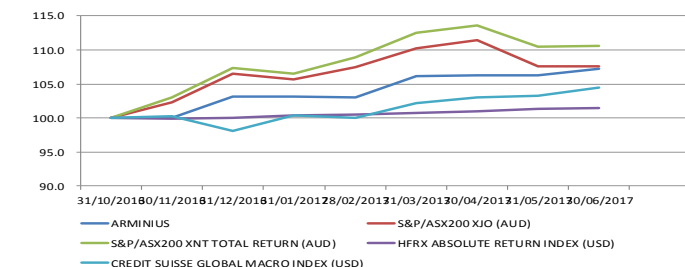
**FUND OBJECTIVES:** The Arminius Capital GMMA Fund invests by purchasing units in an underlying wholesale hedge fund, being the "PKF Arminius Core Fund", which provides investors with exposure to all asset classes in the global macro universe. As such, there may be some degree of difference between the performance returns of the underlying wholesale fund and this fund due to differing fees, expenses and fund inflow effects. Arminius' aim is to provide smooth positive annual returns with lower volatility and lower risk than concentrated single market/asset class exposure. Our absolute return investment methodology utilises a combination of fundamental, momentum and quantitative inputs. As an absolute return fund, the objective is to preserve the capital base across every 3 year rolling period.

**INVESTMENT STRATEGY:** Arminius uses econometric modelling based on macro-economic indicators alongside fundamentals pertinent to each individual instrument within each asset class. Momentum is taken into account only once the fundamental value of each instrument has been ascertained. Low volatility and risk management is complemented by frequent re-balancing and equal weighting, accordingly to what each hedging sub-strategy dictates.

**Monthly Performance since Inception November 2016**



**Cumulative Performance since Inception (Base 100 = 31 October 2016)**





## FUND MANAGER COMMENTARY

The Fund returned +0.94% in June, compared to the S&P/ASX200's return of negative -0.05%. We have retained our derivative protection in Australian equities, but the Fund continues to be long international equities.

June was an unsettled month in world share markets. The fall in Australia was due to local factors, such as the S&P and Moody's downgrades of Australian banks, the South Australian proposal to impose a State banking levy, growing concerns over house prices, uncertainty over energy policy, and ongoing weakness in the resources sector. Since 02 January 2017, the S&P/ASX200 price index has risen only 0.98%, making Australia one of the worst performers among developed markets.

In the US, the S&P500 set new records in June. Economic data remain weak, but weakness has its positive side: low GDP growth in the March quarter means that consumer price inflation and wages growth remain subdued. The legislative inactivity of the Trump Administration suggests that it is trying to demonstrate that no government is good government.

European share markets slipped back in June, but share markets in China, Hong Kong and Japan all rose. To avert a June-end credit crunch, China's central bank relaxed the liquidity squeeze which it has imposed since March. The recent crackdown on shadow banking, together with the strict enforcement of banking and insurance regulations indicates the Chinese government is getting serious about its debt problems, as does the scheduling of the important National Financial Work Conference in mid-July.

The yield on the 10-year US Treasury bond (UST10yr) has been volatile lately. In 2016 it rose from a record low of 1.31% in July 2016 to a peak of 2.60% after the election, but then it has slipped back as low as 2.15% in early June when bond investors decided that low growth and low inflation were here to stay. But in late June and early July, the major central banks – the Federal Reserve, the Bank of England, the Bank of Japan, and the European Central Bank – all came out with hawkish prognostications for the next twelve months. In particular, the ECB said it was likely to end quantitative easing, while the Fed's minutes suggested that it would start shrinking its balance sheet by not replacing maturing debt. As a consequence, global interest rates started rising again.

A rise in the UST10yr back to 2.27% by 30 June 2017 is far from earth-shattering. But it is likely that the central banks chose to co-ordinate their statements, in the same way as they would like to co-ordinate policy actions in future. We therefore expect a rise in the general level of US, European and Japanese interest rates by June 2018. We also note that Australian fixed interest markets have now priced in a rise in the official cash rate in calendar 2018.

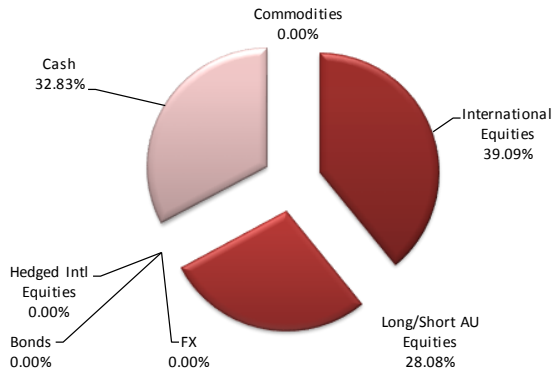
We hesitate to say that the thirty-year bull market in bonds has come to an end, but there is no doubt that the normalization of global interest rates, after nearly a decade of extremely easy money, will cause some economic dislocation and some share market surprises. But this move should be very positive for the profitability of US, European and Japanese banks. Australian banks are unlikely to share in the bonanza – they are not only on a different credit cycle, they are also some of the world's most expensive banks.



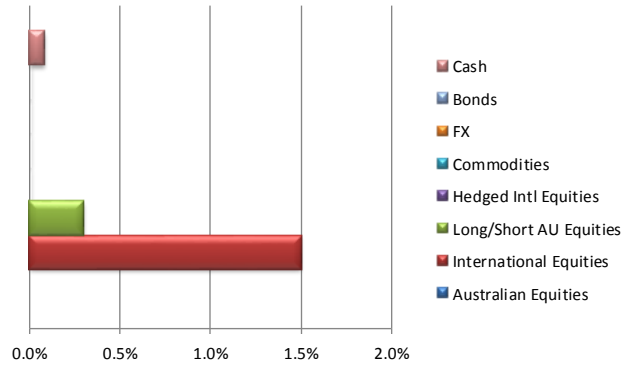
**UNDERLYING FUND DATA**

**Important Note:** The data on this page (unless otherwise referenced) specifically refers to the underlying fund. There may be some degree of difference between the performance returns of the underlying wholesale fund and this fund due to differing fees, expenses and fund inflow effects.

**Underlying Fund's Exposure at month's end as % of NAV**



**Underlying Fund's Monthly Individual Asset Class returns per SAA**



**UNDERLYING FUND STATISTICS MONTHLY BEFORE FEES FROM JULY 2014**

**FUND STATISTICS MONTHLY**

<i>From July 2014</i>	<b>ALPS Fund</b>	<b>XJO</b>
Sharpe Ratio	<b>1.21</b>	0.08
Sortino Ratio (RFR)	<b>4.00</b>	0.30
Downside Deviation	<b>1.73%</b>	3.60%
Standard Deviation	<b>1.65%</b>	3.70%
Annualized SD	<b>5.71%</b>	12.80%
Mean Monthly Return	<b>0.72%</b>	0.23%
Compound Monthly Return	<b>0.71%</b>	0.16%
Excess Return (RFR)	<b>6.93%</b>	1.06%
Portfolio Correlation to XJO	<b>0.54</b>	-
R <sup>2</sup> Coefficient of Determination	<b>0.06</b>	-

- There have been no changes to the risk profile of the Fund during the month.
- There has been no material change to the Fund's strategy during the month.
- There has been no change to key individuals at Arminius.
- This report is made for information purposes only, reflecting Arminius' interpretation of a specific historic period, source referenced from the prime broker "Interactive Brokers" proprietary reporting software "PortfolioAnalyst". All other data is sourced from FACTSET and Hedge Fund Research Inc.


**GLOBAL FINANCIAL MARKETS – MONTHLY DATA**

<b>EQUITIES</b>	31-May-17	30-Jun-17	<b>ROR</b>	<b>COMMODITIES</b>	31-May-17	30-Jun-17	<b>ROR</b>
<b>EUROPE</b>				<b>Energy</b>			
Germany DAX (TR)	12615.1	12325.1	-2.30%	Crude Oil WTI (NYM \$/bbl) Continuous	48.32	46.04	-4.72%
Switzerland SMI (PR)	9016.6	8906.9	-1.22%	Brent Crude (ICE \$/bbl) Continuous	50.31	47.92	-4.75%
STOXX Europe 50 (EUR)	3219.3	3122.2	-3.02%	NY Harbor ULSD (NYM \$/gal) Continuous	1.52	1.48	-2.29%
FTSE 100	7520.0	7312.7	-2.76%	NY Harb RBOB (NYM \$/gal) Continuous	1.60	1.49	-6.95%
France CAC 40	5283.6	5120.7	-3.08%	Natural Gas (NYM \$/btu) Continuous	3.07	3.04	-1.17%
FTSE MIB	20731.7	20584.2	-0.71%	<b>Precious Metals</b>			
Netherlands AEX	524.1	507.2	-3.23%	Gold (NYM \$/ozt) Continuous	1275.40	1242.30	-2.60%
Belgium BEL 20	3888.3	3793.6	-2.44%	Silver (NYM \$/ozt) Continuous	17.41	16.57	-4.81%
OMX Stockholm 30	1639.1	1602.5	-2.23%	<b>Industrial Metals</b>			
Norway Oslo All-Share	781.6	766.4	-1.94%	Aluminum (LME Cash \$/t)	1919.50	1908.50	-0.57%
Ireland ISEQ	6946.6	6827.6	-1.71%	High Grade Copper (NYM \$/lbs) Continuous	5615.50	5907.50	5.20%
Spain IBEX 35	10880.0	10444.5	-4.00%	Nickel (LME Cash \$/t)	8810.00	9280.00	5.33%
Cyprus CSE General	77.2	76.7	-0.58%	Iron Ore 62% CN TSI (NYM \$/mt)	60.71	56.01	-7.74%
<b>AMERICAS</b>				Zinc (LME Cash \$/t)	2572.00	2754.00	7.08%
S&P 500	2411.8	2423.4	0.48%	<b>Agricultural</b>			
DJ 30 Industrials	21008.7	21349.6	1.62%	Corn (CBT \$/bu) Continuous	3.72	3.71	-0.40%
DJ 65 Composite Average	7282.2	7402.3	1.65%	Soybeans (CBT \$/bu) Continuous	9.16	9.42	2.87%
NASDAQ Composite	6198.5	6140.4	-0.94%	Wheat (CBT \$/bu) Continuous	4.29	5.11	19.04%
Russell 1000	1336.2	1343.5	0.55%	Cotton #2 (NYF \$/lbs) Continuous	0.77	0.69	-10.90%
S&P TSX	15349.9	15182.2	-1.09%	Sugar #11 (NYF \$/lbs) Continuous	0.15	0.14	-7.13%
Brazil Bovespa	62711.5	62900.0	0.30%	<b>Indices</b>			
Argentina Merval	22348.6	21912.6	-1.95%	GS Commodity (CME) Continuous	377.30	372.20	-1.35%
Mexico IPC	48788.4	49857.5	2.19%	PowerShares DB Commodity Index Tracking Fund	14.59	14.45	-0.96%
<b>ASIA</b>				db x-trackers SICAV - db x-trackers DB COMMODITY BO	15.23	15.06	-1.12%
S&P ASX 200	5724.6	5721.5	-0.05%	<b>10 YEAR SOVEREIGN YIELDS</b>			
Nikkei 225	19650.6	20033.4	1.95%	US	30-May-17	30-Jun-17	<b>Yield D</b>
Hang Seng	25660.7	25764.6	0.41%	UK	1.00%	1.25%	0.26%
Korea KOSPI	2347.4	2391.8	1.89%	Europe	0.29%	0.38%	0.08%
FTSE Strait Times	3210.8	3226.5	0.49%	Australia	2.38%	2.49%	0.11%
Taiwan TAIEX	10040.7	10395.1	3.53%	Belgium	0.65%	0.78%	0.13%
New Zealand NZX 50 (TR)	7418.9	7611.4	2.60%	Canada	1.41%	1.70%	0.29%
Shanghai SSE Composite	3117.2	3192.4	2.41%	Denmark	0.56%	0.64%	0.08%
India S&P BSE SENSEX	31145.8	30921.6	-0.72%	France	0.73%	0.81%	0.08%
FTSE Bursa Malaysia KLCI	1765.9	1763.7	-0.12%	Germany	0.29%	0.38%	0.08%
Indonesia JSX	5738.2	5829.7	1.60%	Greece	5.98%	5.37%	-0.61%
<b>FOREIGN EXCHANGE</b>				Ireland	0.76%	0.85%	0.09%
AUD/USD	0.743	0.768	3.27%	Italy	2.17%	2.16%	-0.01%
EUR/USD	1.126	1.147	1.87%	Japan	0.03%	0.05%	0.02%
JPY/USD	110.473	112.233	1.59%	Netherlands	0.51%	0.65%	0.13%
GBP/USD	1.290	1.305	1.12%	New Zealand	2.80%	2.86%	0.06%
CHF/USD	1.035	1.048	1.25%	Norway	1.50%	1.61%	0.11%
USD/CAD	0.741	0.772	4.29%	Portugal	3.10%	3.01%	-0.08%
EUR/GBP	0.873	0.879	0.74%	Spain	1.52%	1.53%	0.01%
AUD/EUR	1.515	1.494	-1.35%	Sweden	0.49%	0.62%	0.13%
USD/CHF	0.968	0.959	-0.95%	Switzerland	-0.13%	0.00%	-0.13%
GBP/AUD	1.735	1.694	-2.32%				
CBOE Volatility Index	10.41	11.18	7.40%				

ROR = Rate of Return

Yield D = Yield differential

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