



MONTHLY PERFORMANCE REPORT OCTOBER 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: 30th 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 Corporate Trust Pty Limited
Prime Broker: Interactive Brokers
(for the underlying fund).

Auditors: Grant Thornton

NAV: \$15,165,776.29

Unit Price: 0.9736

INVESTMENT MANAGER

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

DISTRIBUTION DETAILS

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The Fund returned +1.47% for October 2017, compared with +4.00% for the S&P/ASX 200 (XJO). The ASX 200 including dividends (XNT) returned +4.01% 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.

Now into the second half of CY2017, our stance increasingly turns pragmatic in the geo-political sense; negative on Australia, cautious globally. Our econometric models have gone from locating less value in local and global markets in the 1st quarter, to now: markets appearing expensive. The US dollar and continued expected rises in US interest rates will likely 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	1.47%	4.00%	4.01%	0.42%	-0.55%
3 Months	1.38%	3.29%	4.65%	1.79%	0.75%
Calendar YTD	5.36%	4.29%	7.79%	3.69%	9.82%
1 Year	8.67%	11.12%	15.77%	3.73%	7.70%
3 Years	-	6.92%	21.20%	6.29%	0.27%
5 Years	-	30.82%	60.93%	12.95%	-1.37%
Since Inception NOV 2016	8.67%	11.12%	15.77%	3.73%	7.70%

Returns for the fund are calculated as of the last valuation day of the month (generally a Friday), whereas the index returns are calculated as of the last trading day of the month. Index returns are provided for comparative purposes only and the Benchmark used to manage the fund is 0% (absolute return).

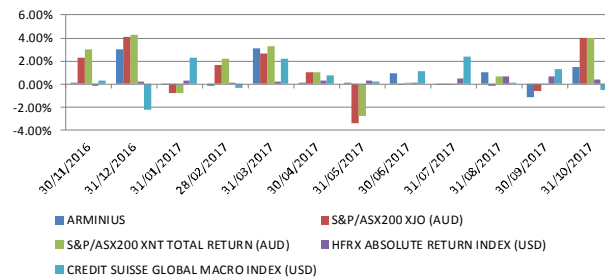
Arminius Capital GMMA Fund (Inception NOV 2016) Returns are net of fees

%	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%	-0.08%	1.07%	-1.15%	1.47%			5.36%

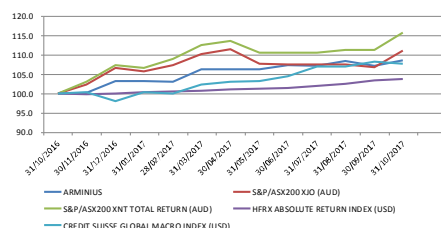
FUND OBJECTIVES: The Arminius Capital GMMA Fund invests by purchasing units in an underlying wholesale hedge fund, being the "Arminius Capital ALPS Fund", which provides investors with exposure to all asset classes in the global macro universe. As such, there may be some degree of difference between 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 Arminius Capital GMMA Fund returned +1.47% in October, compared to the S&P/ASX200's index return of +4.00% (correct to two decimal places). We have retained our derivative protection in Australian equities, but the Fund continues to be long international equities. The Fund has returned +5.36% in the first ten months of calendar 2017, compared to the S&P/ASX200's index return of +4.29%. Stock markets being able to sustain returns of 4% in a 4 week period are atypical and often herald periods of increased volatility. We are comfortable with underperforming an equity market across a 4 week period. As derivative protection costs money, we are not going to match the temporal upswing of a risk-on equities market. We are a hedge fund and will ensure that the capital base of our investors' is hedged before participating in any momentary (relative to a 3 year period) upswing.

The Australian share market performed strongly in October, with the S&P/ASX200 price index rising 4.0% over the month. The US S&P500 price index rose 2.22% and the Stoxx Europe 50 price index rose 1.64%. The Hong Kong and Shanghai markets also rose, but the star was the Japanese market – the Nikkei 225 jumped 8.13%.

On a year-to-date basis, the star is Hong Kong's Hang Seng index, which is up 28.39%. The US and Japanese markets are both up over 15%, and the Europe Stoxx 600 is up 9%. The Australian S&P/ASX200 price index is up 4.29%. Clearly 5th place amongst the aforesaid is not a podium finish.

The rise in US shares was partly driven by positive earnings news for the September quarter, particularly from the big five technology stocks Facebook, Alphabet, Amazon, Apple, and Netflix. US investors also grew more optimistic that the Republican House, Senate, and President might be able to pass a bill cutting corporate tax rates.

US GDP grew by 3.0% in the September quarter, but there are signs that inflation may be stirring again – the New York Fed's Underlying Inflation Gauge reached 2.8%, which is above the headline number for Consumer Price Index inflation. One of the major constraints on US growth since the GFC is that the average worker has seen very little growth in his or her pay packet. Annual growth in average weekly earnings has been running at less than 3% p.a., and inflation has reduced the real growth in spending power to less than 1% p.a.

Economic news out of Europe is also positive. The EU's aggregate unemployment rate fell below 9% for the first time since 2009, while CPI inflation is running at 1.4% and GDP growth at 2.5% year-on-year. The attempted secession of Catalonia is a problem for Spain, and for investors with assets in Barcelona, but it has no more impact on the rest of Europe than the Scottish independence movement did.

In China, the five-yearly Party Congress went off without a hitch, as might be expected for one of the most tightly choreographed events in one of the world's most tightly controlled countries. Xi Jinping established his absolute dominance of the Chinese Communist Party, and he has not bothered to name a successor. What was made very clear is the focus of the Party has changed, from economic growth at all costs, to including "quality of life" factors such as healthcare and the environment. There is, of course, no change in the leading role of the Party.

Now that the photo opportunities and three-hour speeches are over, the Chinese government will return to the business of cleaning up the economy. One of the big themes of the Congress was "supply-side structural reform". The Chinese term has nothing in common with Ronald Reagan's policies in the 1980s. In China it means shutting down excess capacity and illegal operators in designated industries, such as coal, steel, aluminium, and power generation, while forcing many State-owned enterprises (SOEs) to slowly reduce their gearing.

In an unprecedented move, a private investor has just been allowed into the rescue of an insolvent SOE. Steel billionaire Shen Wenrong (whose USD\$3.7bn makes him only China's 111th richest man) will invest 4.5 billion renminbi (USD\$675m) in the insolvent Dongbei Special Steels. Details are still scarce, but this is definitely a first for China.

The Arminius portfolio remains hedged against a correction in the Australian share market, because our models indicate that it is no longer in a fair value range. The US market has become statistically over-valued by our metrics for the first time (to this extent) since the last quarter of 2015.

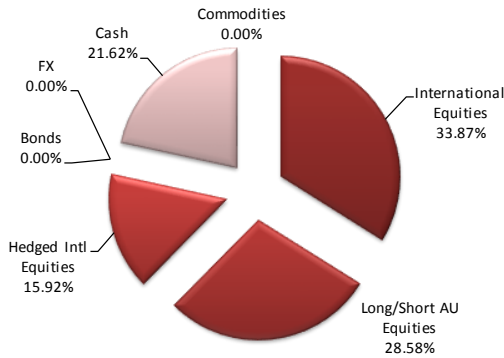
So, although we have maintained our long position in the S&P500 we have exposure to short positions in many stocks which cost us some performance in the face of a strong month for US equities. Although we do not consider that another GFC is imminent, the combination of expensive markets and unstable politics means that falls of 10% to 20% are possible in coming months. The situation is like a dry forest on a hot day – any spark can set off a bush fire.



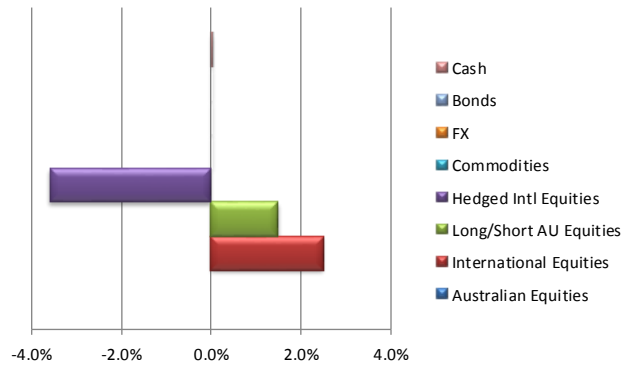
UNDERLYING FUND DATA

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>	ALPS Fund	XJO
Sharpe Ratio	1.16	0.14
Sortino Ratio (RFR)	3.70	0.51
Downside Deviation	1.75%	3.46%
Standard Deviation	1.62%	3.56%
Annualized SD	5.62%	12.32%
Mean Monthly Return	0.68%	0.29%
Compound Monthly Return	0.67%	0.23%
Excess Return (RFR)	6.49%	1.77%
Portfolio Correlation to XJO	0.54	-
R ² Coefficient of Determination	0.06	-

- 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

EQUITIES	30-Sep-17	31-Oct-17	ROR	COMMODITIES	30-Sep-17	31-Oct-17	ROR
EUROPE				Energy			
Germany DAX (TR)	12828.9	13229.6	3.12%	Crude Oil WTI (NYM \$/bbl) Continuous	51.67	54.38	5.24%
Switzerland SMI (PR)	9157.5	9242.2	0.93%	Brent Crude (ICE \$/bbl) Continuous	57.54	61.37	6.66%
STOXX Europe 50 (EUR)	3172.8	3224.8	1.64%	NY Harbor ULSD (NYM \$/gal) Continuous	1.81	1.88	3.90%
FTSE 100	7372.8	7493.1	1.63%	NY Harb RBOB (NYM \$/gal) Continuous	1.59	1.73	8.89%
France CAC 40	5329.8	5503.3	3.25%	Natural Gas (NYM \$/btu) Continuous	3.01	2.90	-3.69%
FTSE MIB	22696.3	22793.7	0.43%	Precious Metals			
Netherlands AEX	537.1	553.4	3.04%	Gold (NYM \$/ozt) Continuous	1284.80	1270.50	-1.11%
Belgium BEL 20	4017.8	4096.4	1.96%	Silver (NYM \$/ozt) Continuous	16.68	16.69	0.10%
OMX Stockholm 30	1637.8	1671.6	2.06%	Industrial Metals			
Norway Oslo All-Share	861.5	890.1	3.32%	Aluminum (LME Cash \$/t)	2110.50	2140.00	1.40%
Ireland ISEQ	6881.8	6972.7	1.32%	High Grade Copper (NYM \$/lbs) Continuous	6485.00	6802.00	4.89%
Spain IBEX 35	10381.5	10523.5	1.37%	Nickel (LME Cash \$/t)	10585.00	11850.00	11.95%
Cyprus CSE General	74.1	73.8	-0.47%	Iron Ore 62% CN TSI (NYM \$/mt)	69.77	60.31	-13.56%
AMERICAS				Zinc (LME Cash \$/t)	3217.00	3320.00	3.20%
S&P 500	2519.4	2575.3	2.22%	Agricultural			
DJ 30 Industrials	22405.1	23377.2	4.34%	Corn (CBT \$/bu) Continuous	3.55	3.46	-2.67%
DJ 65 Composite Average	7711.1	7914.7	2.64%	Soybeans (CBT \$/bu) Continuous	9.68	9.85	1.70%
NASDAQ Composite	6496.0	6727.7	3.57%	Wheat (CBT \$/bu) Continuous	4.48	4.19	-6.64%
Russell 1000	1396.9	1427.4	2.19%	Cotton #2 (NYF \$/lbs) Continuous	0.68	0.68	-0.10%
S&P TSX	15634.9	16025.6	2.50%	Sugar #11 (NYF \$/lbs) Continuous	0.14	0.15	4.54%
Brazil Bovespa	74293.5	74308.5	0.02%	Indices			
Argentina Merval	26074.3	27921.8	7.09%	GS Commodity (CME) Continuous	399.10	415.05	4.00%
Mexico IPC	50346.1	48625.5	-3.42%	PowerShares DB Commodity Index Tracking Fund	15.40	16.01	3.96%
ASIA				db x-trackers SICAV - db x-trackers DB COMMODITY BO	15.43	15.81	2.46%
S&P ASX 200	5681.6	5909.0	4.00%	10 YEAR SOVEREIGN YIELDS			
Nikkei 225	20356.3	22011.6	8.13%	US	2.31%	2.37%	0.06%
Hang Seng	27554.3	28245.5	2.51%	UK	1.38%	1.34%	-0.04%
Korea KOSPI	2394.5	2523.4	5.39%	Europe	0.48%	0.37%	-0.11%
FTSE Strait Times	3219.9	3374.1	4.79%	Australia	2.85%	2.72%	-0.13%
Taiwan TAIIEX	10329.9	10793.8	4.49%	Belgium	0.76%	0.61%	-0.15%
New Zealand NZX 50 (TR)	7930.4	8146.3	2.72%	Canada	2.13%	1.96%	-0.17%
Shanghai SSE Composite	3348.9	3393.3	1.33%	Denmark	0.57%	0.47%	-0.10%
India S&P BSE SENSEX	31283.7	33213.1	6.17%	France	0.77%	0.77%	-0.01%
FTSE Bursa Malaysia KLCI	1755.6	1747.9	-0.44%	Germany	0.48%	0.37%	-0.11%
Indonesia JSX	5900.9	6005.8	1.78%	Greece	5.66%	5.50%	-0.16%
FOREIGN EXCHANGE				Ireland	0.76%	0.58%	-0.18%
AUD/USD	0.784	0.765	-2.35%	Italy	2.12%	1.84%	-0.28%
EUR/USD	1.186	1.168	-1.54%	Japan	0.06%	0.06%	0.00%
JPY/USD	112.108	113.462	1.21%	Netherlands	0.61%	0.47%	-0.14%
GBP/USD	1.344	1.330	-1.03%	New Zealand	2.97%	2.97%	-0.01%
CHF/USD	1.038	1.005	-3.15%	Norway	1.60%	1.61%	0.01%
USD/CAD	0.803	0.776	-3.34%	Portugal	2.39%	2.08%	-0.32%
EUR/GBP	0.883	0.878	-0.53%	Spain	1.63%	1.49%	-0.14%
AUD/EUR	1.514	1.527	0.82%	Sweden	0.93%	0.81%	-0.12%
USD/CHF	0.968	0.998	3.06%	Switzerland	0.00%	-0.05%	0.05%
GBP/AUD	1.710	1.735	1.46%				
CBOE Volatility Index	9.51	10.18	7.05%				

ROR = Rate of Return

Yield D = Yield differential

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