



MONTHLY PERFORMANCE REPORT

February 2018

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: \$16,653,253.42

Unit Price: 0.9769

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 -2.66% for the month, compared with -0.36% for the S&P/ASX 200 (XJO). The ASX 200 including dividends (XNT) returned 0.32% 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.

Entering CY2018, our stance remains pragmatic towards the US; negative on Australia; optimistic on Europe and cautious on emerging markets. Our econometric models can locate value in Europe and Japan, but the unfolding of the impacts of rising inflationary expectations in the US will have manifold effects through 2018. The US dollar and continued expected rises in US interest rates will eventually lead to more defaults in lower-quality sovereign and corporate bonds.

PERFORMANCE (Inception NOV-2016)	Arminius Capital GMMMA 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	-2.66%	-0.36%	0.32%	-0.35%	5.65%
3 Months	1.72%	0.77%	1.62%	0.73%	8.89%
Calendar YTD	0.72%	-0.81%	-0.13%	0.45%	7.88%
1 Year	5.89%	5.32%	9.76%	3.43%	20.24%
Cumulative Since Inception NOV 2016	9.04%	13.13%	19.56%	3.90%	20.32%

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

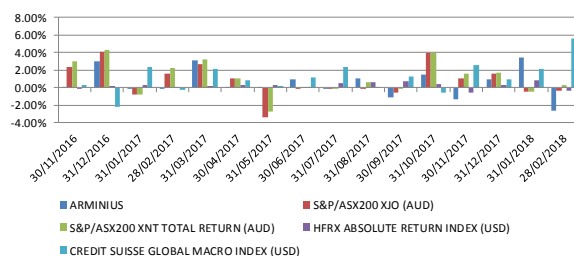
%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY
2016	-	-	-	-	-	-	-	-	INCEPTION=>	0.08%	3.06%		3.14%
2017	-0.02%	-0.14%	3.14%	0.02%	0.06%	0.94%	-0.08%	1.07%	-1.15%	1.47%	-1.36%	0.99%	4.96%
2018	3.47%	-2.66%											0.72%

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).

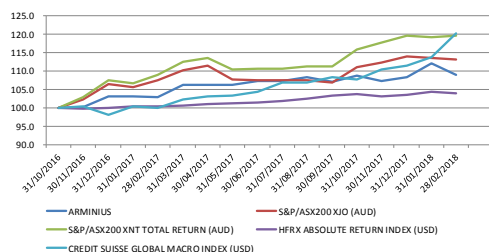
FUND OBJECTIVES: The Arminius Capital GMMMA Fund invests by purchasing units in an underlying wholesale hedge fund, being the "Arminius Capital ALPS Fund", which provides investors with exposure to all asset classes in the global macro universe. As such, there may be some degree of difference between 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 Fund returned -2.66% in February, compared to the S&P/ASX200's return of -0.36%. The correction in early February had only a limited effect on our performance, because of the short positions held by the Fund. The fund's calendar 2018 return is +0.72% compared to the S&P/ASX200's return of -0.81%. February saw an end to the unbridled optimism present in global markets in recent times. The MSCI All-Country World Index fell -4.4% in February. The US S&P500 price index dropped -3.89% by the end of the month, although it officially experienced a "bear market territory" correction, falling -10.16% between its high on 26th January to 8th February. The Stoxx Europe 600 price index slid -4.0%, and Japan's Nikkei 225 lost -4.46%. Chinese markets performed worse as the global unease was accentuated by discouraging local statistics: the Shanghai Composite price index went down -6.4% and Hong Kong's Hang Seng price index slipped -6.2%. (All figures are in the currency of each market.)

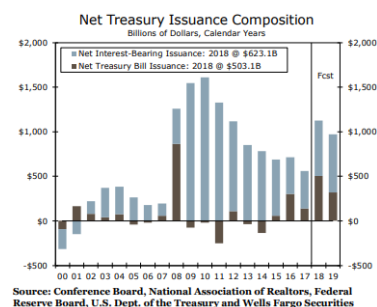
The fund's hedges against our long US equities delivered a favourable outcome in February as our models have been indicating for some time now that US equities were expensive. However, the contagion that flowed globally from the VIX explosion (the VIX is US specific, its price level is a function of US only equities) reached markets in Europe and Asia. As our models' valuations of both European and Japanese equities indicated that neither of these markets were statistically expensive (as opposed to the US) the fund was long in both markets. This detracted from the fund's monthly performance yet suffered nothing like any of those markets' February downturns. After the market rout in February, we expect that markets will initially claw back some of their lost ground as they have now all been sold down to statistically oversold levels by our models' output.

It must be said that February's negative return was not unusual compared to the long term pattern of share market volatility. It just came as a surprise to most investors after two years of low volatility, as shown in the chart below. Turbulence is a normal feature of share markets, and we expect more of it later this year.



The trigger for the correction was the January jobs report, where hourly wage rate growth was faster than expected, leading some bond investors to sell US government bonds for fear that inflation might be staging a comeback. In response, the S&P500 index dropped -8.5% in the first week of February. The absence of confirming evidence in subsequent economic statistics meant that fears of inflation receded slightly, so that US Treasury yields moved back down again, allowing the US share market to recover some of its losses. Commodity prices also declined (except for some agricultural products), suggesting that investors are not rushing into physical assets as a hedge against inflation. Global equities slid down again at month-end, after Presidential tweets not only foreshadowed steel and aluminium tariffs, but even praised trade wars. European, Chinese, and other governments have made it very clear that they will retaliate against US exports. It is a sign of the global situation when the very few positions in February where global investors would have realised profits, were to be long volatility and wheat. It is unlikely that these are markets that the majority of global investors would have chosen tactically to be exposed long to on 31 January 2018.

Despite the 15% profit growth reported by the S&P500 companies for the December 2017 quarter, we remain very cautious about US equities. Even in the absence of a trade war or resurgent inflation, US interest rates are still being pushed upward by the near-doubling in the quantity of US government debt to be issued in 2018 compared to 2017, as the chart below shows. In 2018 and 2019 the budget deficit will be more than 5% of GDP.



European equities are still reasonably priced, and European bond yields are not rising as fast as US bond yields, probably because no European government is on the verge of doubling its budget deficit. Even the Chinese government's budget deficit has stabilized below 4.5% of GDP, while its foreign exchange reserves are rising and the renminbi is strengthening.

The Chinese regulators took control of the troubled insurer Anbang, which appears to have bankrupted itself by means of debt-funded overseas acquisitions. The intervention, which was entirely legal and in accordance with established law, was designed to protect insurance customers, and is intended to last one to two years. Anbang was one of four companies which the Chinese banking regulator formally warned banks about in July 2017.

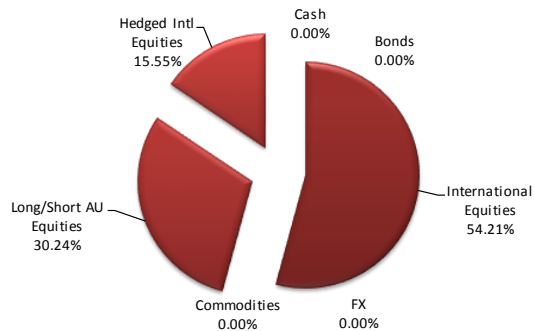
We remain very wary of Australian equities: they seem to be correlated with the US on the downside, but they lack the upside of the US economy. If a trade war does take place, the Australian economy will be in the front line because of our dependence on resource exports. Given that Australia's banks are currently the subject of a Royal Commission which may result in tighter regulation, we can find very few reasons to overweight Australian equities and therefore our exposure remains hedged.



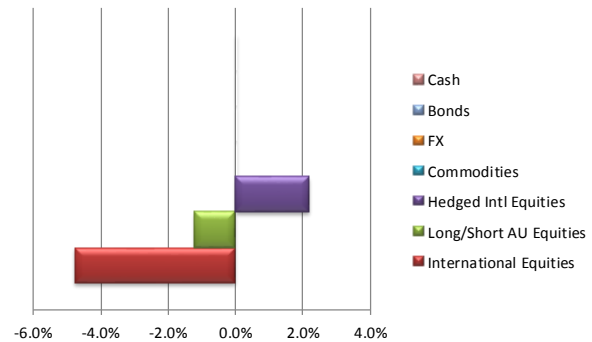
UNDERLYING FUND DATA

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



- 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	31-Jan-18	28-Feb-18	ROR
EUROPE			
Germany DAX (TR)	13189.5	12435.9	-5.71%
Switzerland SMI (PR)	9335.4	8906.4	-4.60%
STOXX Europe 600 (EUR)	395.5	379.6	-4.00%
FTSE 100	7533.6	7231.9	-4.00%
France CAC 40	5481.9	5320.5	-2.94%
FTSE MIB	23507.1	22607.6	-3.83%
Netherlands AEX	560.5	535.6	-4.45%
Belgium BEL 20	4111.7	3994.5	-2.85%
OMX Stockholm 30	1593.2	1583.4	-0.61%
Norway Oslo All-Share	909.0	918.7	1.06%
Ireland ISEQ	6961.6	6683.4	-4.00%
Spain IBEX 35	10451.5	9840.3	-5.85%
Cyprus CSE General	70.0	69.1	-1.17%
AMERICAS			
S&P 500	2823.8	2713.8	-3.89%
DJ 30 Industrials	26149.4	25029.2	-4.28%
DJ 65 Composite Average	8624.8	8228.3	-4.60%
NASDAQ Composite	7411.5	7273.0	-1.87%
Russell 1000	1561.7	1501.2	-3.87%
S&P TSX	15951.7	15442.7	-3.19%
Brazil Bovespa	84912.7	85353.6	0.52%
Argentina Merval	34972.7	33004.0	-5.63%
Mexico IPC	50456.2	47437.9	-5.98%
ASIA			
S&P ASX 200	6037.7	6016.0	-0.36%
Nikkei 225	23098.3	22068.2	-4.46%
Hang Seng	32887.3	30844.7	-6.21%
Korea KOSPI	2566.5	2427.4	-5.42%
FTSE Strait Times	3534.0	3517.9	-0.45%
Taiwan TAIEX	11103.8	10815.5	-2.60%
New Zealand NZX 50 (TR)	8442.0	8373.8	-0.81%
Shanghai SSE Composite	3480.8	3259.4	-6.36%
India S&P BSE SENSEX	35965.0	34184.0	-4.95%
FTSE Bursa Malaysia KLCI	1868.6	1856.2	-0.66%
Indonesia JSX	6605.6	6597.2	-0.13%
FOREIGN EXCHANGE			
AUD/USD	0.805	0.778	-3.37%
EUR/USD	1.245	1.222	-1.85%
JPY/USD	108.826	106.542	-2.10%
GBP/USD	1.420	1.378	-2.97%
CHF/USD	1.078	1.061	-1.55%
USD/CAD	0.813	0.780	-4.14%
EUR/GBP	0.877	0.887	1.15%
AUD/EUR	1.547	1.571	1.56%
USD/CHF	0.932	0.944	1.35%
GBP/AUD	1.761	1.773	0.67%
CBOE Volatility Index	13.54	19.85	46.60%
COMMODITIES			
Energy			
Crude Oil WTI (NYM \$/bbl) Continuous	64.73	61.64	-4.77%
Brent Crude (ICE \$/bbl) Continuous	69.05	65.78	-4.74%
NY Harbor ULSD (NYM \$/gal) Continuous	2.07	1.90	-7.88%
NY Harb RBOB (NYM \$/gal) Continuous	1.89	1.92	1.63%
Natural Gas (NYM \$/btu) Continuous	3.00	2.67	-10.95%
Precious Metals			
Gold (NYM \$/ozt) Continuous	1343.10	1317.90	-1.88%
Silver (NYM \$/ozt) Continuous	17.24	16.41	-4.84%
Industrial Metals			
Aluminum (LME Cash \$/t)	2224.50	2158.50	-2.97%
High Grade Copper (NYM \$/lbs) Continuous	7100.50	6953.00	-2.08%
Nickel (LME Cash \$/t)	13555.00	13800.00	1.81%
Iron Ore 62% CN TSI (NYM \$/mt)	75.86	77.46	2.11%
Zinc (LME Cash \$/t)	3589.50	3498.50	-2.54%
Agricultural			
Corn (CBT \$/bu) Continuous	3.62	3.82	5.67%
Soybeans (CBT \$/bu) Continuous	9.96	10.56	6.00%
Wheat (CBT \$/bu) Continuous	4.52	4.95	9.57%
Cotton #2 (NYF \$/lbs) Continuous	0.77	0.83	7.31%
Sugar #11 (NYF \$/lbs) Continuous	0.13	0.13	1.13%
Indices			
GS Commodity (CME) Continuous	456.45	443.55	-2.83%
PowerShares DB Commodity Index Tracking Fund	17.10	16.60	-2.92%
db x-trackers SICAV - db x-trackers DB COMMODITY BO	16.42	16.18	-1.43%
10 YEAR SOVEREIGN YIELDS			
	30-Jan-18	28-Feb-18	Yield D
US	2.69%	2.87%	0.17%
UK	1.46%	1.50%	0.04%
Europe	0.69%	0.65%	-0.04%
Australia	2.82%	2.78%	-0.04%
Belgium	0.77%	0.94%	0.17%
Canada	2.28%	2.24%	-0.04%
Denmark	0.72%	0.72%	0.01%
France	0.98%	0.92%	-0.06%
Germany	0.69%	0.65%	-0.04%
Greece	3.64%	4.38%	0.74%
Ireland	1.12%	1.08%	-0.04%
Italy	2.03%	1.97%	-0.06%
Japan	0.08%	0.05%	-0.03%
Netherlands	0.74%	0.70%	-0.04%
New Zealand	2.90%	2.94%	0.04%
Norway	1.84%	1.94%	0.10%
Portugal	1.93%	1.98%	0.04%
Spain	1.43%	1.54%	0.11%
Sweden	0.89%	0.80%	-0.09%
Switzerland	0.13%	0.11%	0.02%

ROR = Rate of Return

Yield D = Yield differential

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