



MONTHLY PERFORMANCE REPORT

March 2018

The Fund returned -3.56% for the month, compared with -4.27% for the S&P/ASX 200 (XJO). The ASX 200 including dividends (XNT) returned -3.80% 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.

Ending Q1 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.

GENERAL INFORMATION

Base Currency: AUD
Entity Type: Open Ended Unit Trust
PMs: Marcel von Pfyffer (CIO)
 Neill Colledge
Launch date: Jul-2014
Benchmark: 0% (Absolute Return)
Fees: 1 and 10
Domicile: Australia
Close of Financial Year: 30th June
Unit Pricing: Weekly
APIR Code: PKF0001AU
ISIN Code: AU60PKF00011
Fund Administration: APEX Fund
 Services (Australia)

PERFORMANCE (Inception JUL-2014)	Arminius Capital ALPS 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	-3.56%	-4.27%	-3.80%	-0.15%	-5.45%
3 Months	-2.41%	-5.04%	-3.93%	0.30%	2.00%
Calendar YTD	-2.41%	-5.04%	-3.93%	0.30%	2.00%
1 Year	-0.08%	-1.80%	2.24%	3.03%	11.27%
3 Years	13.27%	-2.24%	10.69%	5.23%	6.36%
5 Years	-	15.96%	42.54%	10.90%	6.05%
Since Inception JUL 2014	26.98%	6.74%	24.92%	5.90%	8.03%

Fund Custodian: Australian
 Executor Trustees Limited
Prime Broker: Interactive Brokers
Auditors: Grant Thornton
Compliance: King Irving

INVESTMENT MANAGER
 Arminius Investment Management Pty Ltd
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Arminius Capital ALPS Fund (Inception July-2014) Returns are gross of fees

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY
2014	-	-	-	-	INCEPTION =>	2.09%	0.04%	-1.43%	2.02%	1.18%	2.35%	6.37%	
2015	3.85%	1.56%	-0.07%	-1.47%	0.77%	-0.09%	0.52%	-1.23%	-0.45%	1.23%	0.19%	-2.43%	2.26%
2016	-0.38%	-2.38%	0.54%	2.37%	1.22%	0.41%	-0.10%	0.03%	0.00%	0.20%	3.55%	4.60%	10.33%
2017	-0.13%	2.69%	3.31%	0.10%	1.25%	0.02%	-0.34%	1.28%	-1.45%	1.93%	-1.41%	1.04%	8.47%
2018	3.94%	-2.64%	-3.56%										-2.41%

* Jul 2014 to Feb 2015 Strategy run as Mandate, Mar 2015 onwards as Unit Trust Structure. EOM date is last Friday of month.

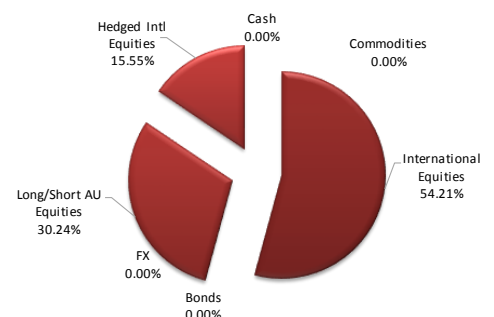
FUND OBJECTIVES: The fund provides investors with exposure to all asset classes in the global macro universe. Arminius' aim is to provide smooth positive annual returns with lower volatility and lower risk than concentrated single market/asset class exposure. Our absolute return investment methodology 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.

FUND STATISTICS MONTHLY

From July 2014	ALPS Fund	XJO
Sharpe Ratio	0.72	0.03
Sortino Ratio (RFR)	2.00	0.10
Downside Deviation	2.26%	3.65%
Standard Deviation	1.82%	3.43%
Annualized SD	6.31%	11.87%
Mean Monthly Return	0.55%	0.20%
Compound Monthly Return	0.53%	0.15%
Excess Return (RFR)	4.52%	0.38%
Portfolio Correlation to XJO	0.50	-
R ² Coefficient of Determination	0.07	-

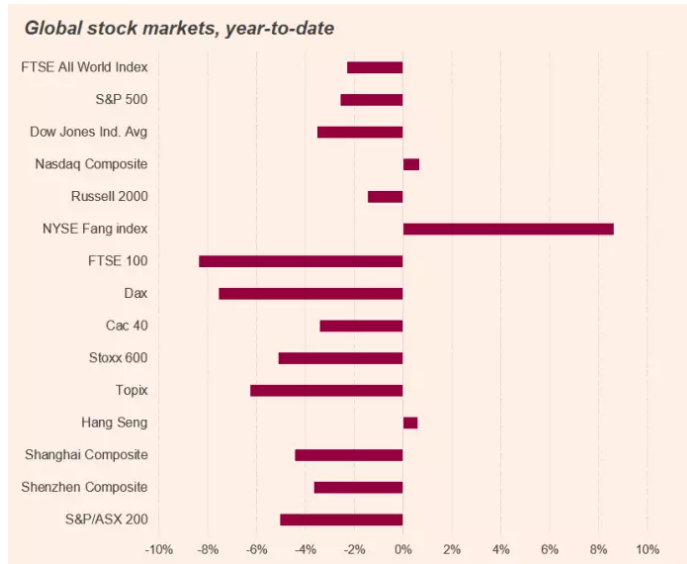
STRATEGIC ASSET ALLOCATION at Month's commencement



FUND MANAGER'S COMMENTARY:

The Fund returned negative 3.56% in March, slightly better than the S&P/ASX200's return of negative 4.27%. The negative returns in February and March have offset January's strong positive return, producing negative returns for the calendar year to date.

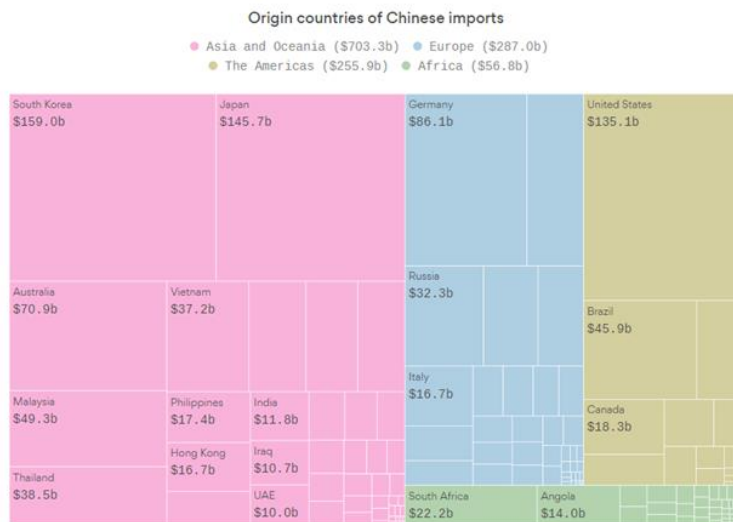
Most global markets fell during the month of March. The US S&P500 price index dropped -2.69%, the Stoxx Europe 600 price index slid -2.31%, and Japan's Nikkei 225 lost -4.12%. The Shanghai Composite price index went down -3.03% and Hong Kong's Hang Seng price index slipped -2.44%. (All figures are in the currency of each market.)



As the chart above shows, major share markets were almost all in the red for the March quarter, making it the worst quarter for returns since 2011. Nor was the damage limited to equities – the market for investment-grade US corporate bonds dropped 2.1% in the March quarter.

The one bright spot in the March quarter – the NYSE Fang index, which represents the big US technology stocks – turned very gloomy in early April, as Facebook was engulfed in scandal and its CEO was summoned to testify before Congress.

Although European and Japanese economic releases have been slightly disappointing, the main factor spooking equity markets has been the growing likelihood of a trade war between the US and China. The problem is not the amount of pain that a trade war would cause for the participants, but the amount of collateral damage that it would inflict on trading partners such as Australia. Even USD \$150 billion of tariffs would not seriously harm the USD \$19 trillion economy or China’s USD \$13 trillion economy. But any slowdown in the Chinese economy will lead to reduced demand for imports – e.g. a reduction in the USD \$70bn of goods which Australia exported to China last year. Because China takes one-third of Australian exports, any Chinese slowdown raises risks not only for Australia, but also for other Australian export markets such as Japan and South Korea.



Data: [The Observatory of Economic Complexity](#); Graphic: Lázaro Gamio/Axios

The European economies have less exposure to China, and European equities are still reasonably priced. 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.

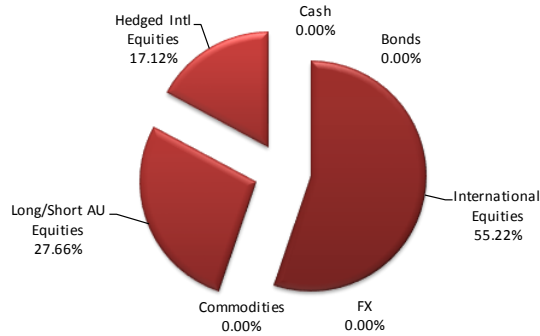
It is also worth remembering that, trade wars aside, corporate profits in the US seem to be getting stronger and stronger. Analyst forecasts for the S&P500 companies keep rising: earnings per share are expected to grow by 17% in calendar 2018, fuelled not only by the Trump tax cuts but also by rising revenues and improving margins. A round of positive first-quarter results could well prop up the US share market in April.

As quantitative investors, we want to emphasize that March 2018 is in fact a normal-sized fluctuation in equity markets. What was abnormal was the very low volatility of the last two years, which lulled investors into a false sense of security. The data group FactSet recently pointed out that, in the forty years since 1978, there have only been four bear markets, but there were corrections of 10% to 20% in twenty-two out of forty years, i.e. 55% of the time. In fourteen of those twenty-two years with a correction, the annual return was still positive. Only in five years out of the forty was there a correction of more than 20%.

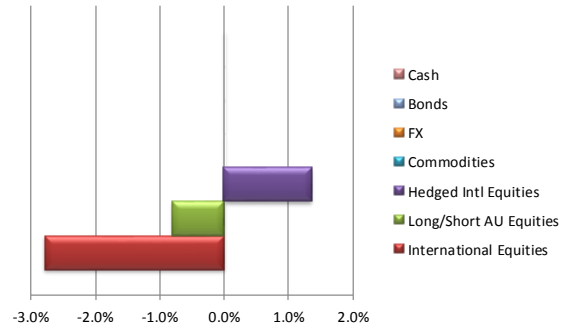


PERFORMANCE TABLES

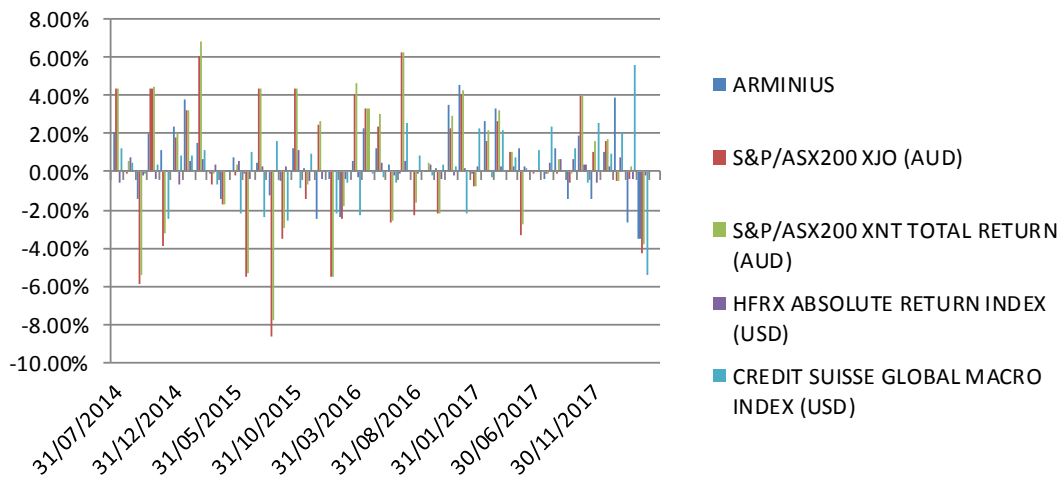
Exposure at month's end as % of NAV



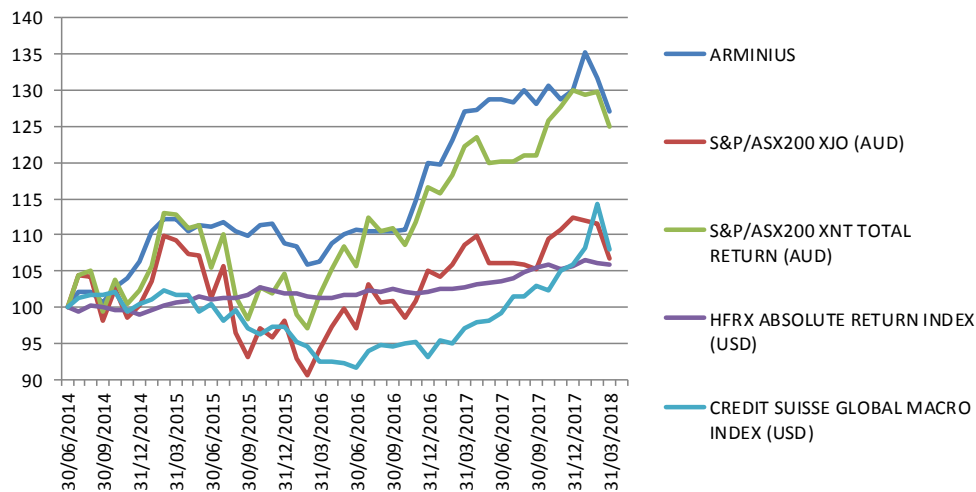
Monthly Individual Asset Class returns per SAA in local currency



Monthly Performance since Inception July 2014



Cumulative Performance since Inception (Base 100 = 30 June 2014)




GLOBAL FINANCIAL MARKETS – MONTHLY DATA

EQUITIES	28-Feb-18	31-Mar-18	ROR
EUROPE			
Germany DAX (TR)	12435.9	12096.7	-2.73%
Switzerland SMI (PR)	8906.4	8741.0	-1.86%
STOXX Europe 600 (EUR)	379.6	370.9	-2.31%
FTSE 100	7231.9	7056.6	-2.42%
France CAC 40	5320.5	5167.3	-2.88%
FTSE MIB	22607.6	22411.2	-0.87%
Netherlands AEX	535.6	529.5	-1.13%
Belgium BEL 20	3994.5	3857.1	-3.44%
OMX Stockholm 30	1583.4	1535.4	-3.03%
Norway Oslo All-Share	918.7	907.4	-1.23%
Ireland ISEQ	6683.4	6593.7	-1.34%
Spain IBEX 35	9840.3	9600.4	-2.44%
Cyprus CSE General	69.1	66.9	-3.20%
AMERICAS			
S&P 500	2713.8	2640.9	-2.69%
DJ 30 Industrials	25029.2	24103.1	-3.70%
DJ 65 Composite Average	8228.3	8092.5	-1.65%
NASDAQ Composite	7273.0	7063.4	-2.88%
Russell 1000	1501.2	1464.9	-2.42%
S&P TSX	15442.7	15367.3	-0.49%
Brazil Bovespa	85353.6	85365.6	0.01%
Argentina Merval	33004.0	31114.9	-5.72%
Mexico IPC	47437.9	46124.9	-2.77%
ASIA			
S&P ASX 200	6016.0	5759.4	-4.27%
Nikkei 225	22068.2	21159.1	-4.12%
Hang Seng	30844.7	30093.4	-2.44%
Korea KOSPI	2427.4	2436.4	0.37%
FTSE Strait Times	3517.9	3428.0	-2.56%
Taiwan TAIEX	10815.5	10845.9	0.28%
New Zealand NZX 50 (TR)	8373.8	8319.1	-0.65%
Shanghai SSE Composite	3259.4	3160.5	-3.03%
India S&P BSE SENSEX	34184.0	32968.7	-3.56%
FTSE Bursa Malaysia KLCI	1856.2	1856.4	0.01%
Indonesia JSX	6597.2	6189.0	-6.19%
FOREIGN EXCHANGE			
AUD/USD	0.778	0.768	-1.31%
EUR/USD	1.222	1.236	1.15%
JPY/USD	106.542	105.893	-0.61%
GBP/USD	1.378	1.406	2.03%
CHF/USD	1.061	1.051	-0.90%
USD/CAD	0.780	0.776	-0.43%
EUR/GBP	0.887	0.879	-0.86%
AUD/EUR	1.571	1.610	2.50%
USD/CHF	0.944	0.957	1.30%
GBP/AUD	1.773	1.826	2.99%
CBOE Volatility Index	19.85	19.97	0.60%

ROR = Rate of Return
Yield D = Yield differential

COMMODITIES	28-Feb-18	31-Mar-18	ROR
Energy			
Crude Oil WTI (NYM \$/bbl) Continuous	61.64	64.94	5.35%
Brent Crude (ICE \$/bbl) Continuous	65.78	70.27	6.83%
NY Harbor ULSD (NYM \$/gal) Continuous	1.90	2.02	6.17%
NY Harb RBOB (NYM \$/gal) Continuous	1.92	2.02	4.99%
Natural Gas (NYM \$/btu) Continuous	2.67	2.73	2.47%
Precious Metals			
Gold (NYM \$/ozt) Continuous	1317.90	1327.30	0.71%
Silver (NYM \$/ozt) Continuous	16.41	16.27	-0.85%
Industrial Metals			
Aluminum (LME Cash \$/t)	2158.50	1997.00	-7.48%
High Grade Copper (NYM \$/lbs) Continuous	6953.00	6685.00	-3.85%
Nickel (LME Cash \$/t)	13800.00	13245.00	-4.02%
Iron Ore 62% CN TSI (NYM \$/mt)	77.46	69.70	-10.02%
Zinc (LME Cash \$/t)	3498.50	3332.00	-4.76%
Agricultural			
Corn (CBT \$/bu) Continuous	3.82	3.88	1.51%
Soybeans (CBT \$/bu) Continuous	10.56	10.45	-1.02%
Wheat (CBT \$/bu) Continuous	4.95	4.51	-8.89%
Cotton #2 (NYF \$/lbs) Continuous	0.83	0.81	-1.77%
Sugar #11 (NYF \$/lbs) Continuous	0.13	0.12	-7.70%
Indices			
GS Commodity (CME) Continuous	443.55	452.20	1.95%
PowerShares DB Commodity Index Tracking Fund	16.60	16.98	2.29%
db x-trackers SICAV - db x-trackers DB COMMODITY BO	16.18	15.92	-1.62%
10 YEAR SOVEREIGN YIELDS			
US	2.91%	2.74%	-0.17%
UK	1.56%	1.36%	-0.20%
Europe	0.67%	0.50%	-0.18%
Australia	2.73%	2.58%	-0.16%
Belgium	0.97%	0.77%	-0.20%
Canada	2.28%	2.09%	-0.19%
Denmark	0.74%	0.54%	-0.20%
France	0.95%	0.72%	-0.23%
Germany	0.67%	0.50%	-0.18%
Greece	4.34%	4.29%	-0.06%
Ireland	1.12%	0.91%	-0.21%
Italy	1.99%	1.80%	-0.19%
Japan	0.04%	0.04%	0.00%
Netherlands	0.72%	0.64%	-0.08%
New Zealand	2.91%	2.73%	-0.19%
Norway	1.89%	1.85%	-0.04%
Portugal	2.00%	1.61%	-0.39%
Spain	1.48%	1.17%	-0.30%
Sweden	0.82%	0.69%	-0.13%
Switzerland	0.14%	0.05%	0.09%