MONTHLY PERFORMANCE REPORT
April 2018

The Fund returned +0.49% for the month, compared with +3.88% for the S&P/ASX 200 (XJO). The ASX 200 including dividends (XNT) returned +3.90% 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.

Our stance remains pragmatic towards the US; negative on Australia; optimistic on Europe and negative 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)

Fund Custodian: Australian Executor Trustees Limited

Prime Broker: Interactive Brokers

Auditors: Grant Thornton

Compliance: King Irving

INVESTMENT MANAGER

Arminius Investment Management Pty Ltd
AFSR 471285 ACN 602780950
licensed by:
Arminius Capital Advisory Pty Ltd
AFSL 461307 ACN 165509928

DISTRIBUTION DETAILS

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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	**0.49%**	3.88%	3.90%	0.09%	-0.39%
3 Months	**-5.65%**	-0.91%	0.27%	-0.42%	-0.50%
Calendar YTD	**-1.93%**	-1.36%	-0.18%	0.39%	1.60%
1 Year	**0.30%**	0.99%	5.14%	2.80%	9.97%
3 Years	**15.52%**	3.33%	17.00%	5.19%	5.94%
5 Years	**-**	15.25%	41.68%	10.84%	4.65%
Since Inception JUL 2014	**27.60%**	**10.88%**	**29.80%**	**6.00%**	**7.61%**

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%	0.49%									-1.93%

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

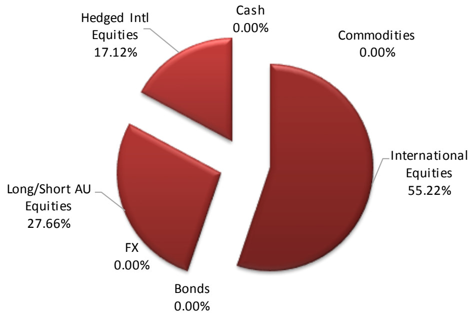
FUND OBJECTIVES: The fund provides investors with exposure to all asset classes in the global macro universe. Arminius' aim is to provide smooth positive annual returns with lower volatility and lower risk than concentrated single market/asset class exposure. Our absolute return investment methodology 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	**0.74**	0.12
Sortino Ratio (RFR)	**2.13**	0.41
Downside Deviation	**2.17%**	3.53%
Standard Deviation	**1.80%**	3.43%
Annualized SD	**6.24%**	11.89%
Mean Monthly Return	**0.55%**	0.28%
Compound Monthly Return	**0.53%**	0.22%
Excess Return (RFR)	**4.62%**	1.45%
Portfolio Correlation to XJO	**0.50**	-
R^2 Coefficient of Determination	**0.07**	-

STRATEGIC ASSET ALLOCATION
at Month's commencement

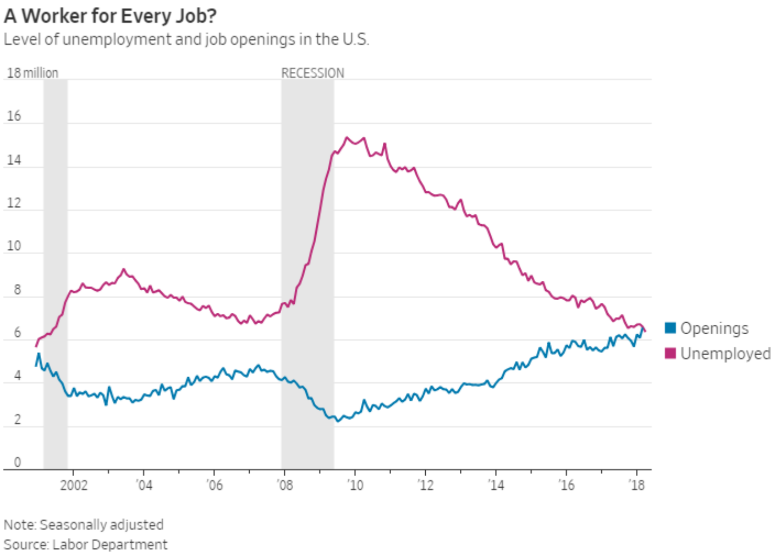


FUND MANAGER'S COMMENTARY:

The Fund returned +0.49% in April, compared to +3.88% for the S&P/ASX200 Price index. The Fund's return for the calendar year to date is -1.93%, compared to -1.36% for the S&P/ASX200 Price Index.

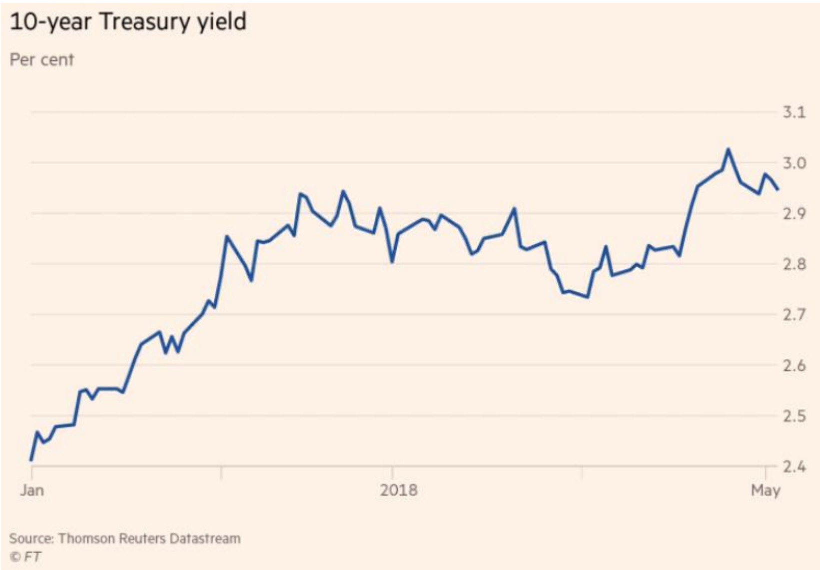
April was a positive month for most global markets. The US S&P500 price index rose by +0.27%, the Stoxx Europe 600 price index jumped +3.9%, and Japan's Nikkei 225 gained +6.19%. The Shanghai Composite price index went down -2.48% but Hong Kong's Hang Seng price index went up +2.38%. Despite a good month, most markets are still below where they started the year. (All figures are in the currency of each market.)

There is no shortage of reasons why markets should be nervous – the risk of a US-China trade war, the Brexit mess, and the consequences of re-imposing sanctions on Iran, to name but three. Rather than guessing at geopplitical outcomes, we focus on three clear trends: the strength of the US economy, the uptrend in oil prices, and the rising risk in the Chinese economy.



The US economy has obviously recovered from the GFC: as the chart shows, there is now a job opening for every unemployed worker, for the first time in seventeen years. Yet CPI inflation and wage rate inflation remain low.

The bond market does not believe that this magical state of affairs can last: the chart below shows how much the key 10-year US government bond yield has risen this year. Bond investors clearly expect that US inflation is about to break out of the sub-2.5% range which it has been trading in since the GFC. Note, however, that European yields have not risen anywhere near as far as US yields, suggesting that European growth and inflation are not likely to take off.



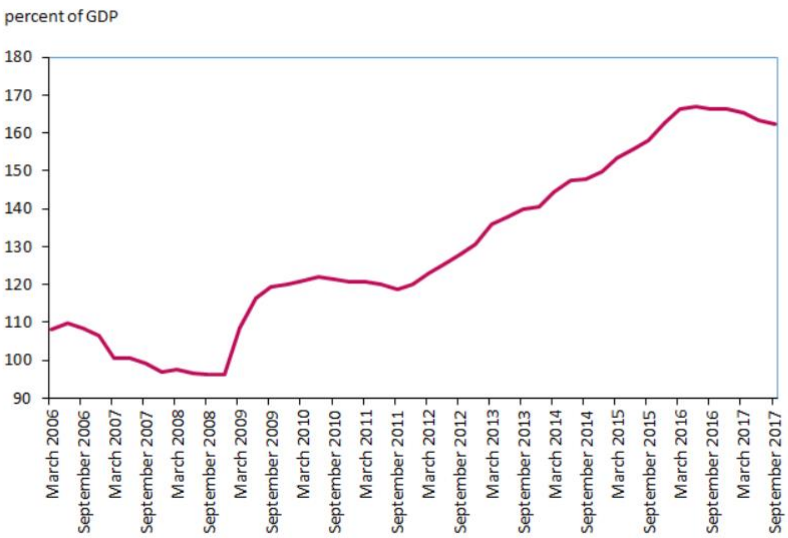
The other major trend fuelling inflation is rising oil prices. Although US shale oil producers have lifted production, OPEC discipline has held firm, with relatively little cheating, thanks to the unlikely alliance between Saudi Arabia and Russia. The oil price is partly due to the collapse in Venezuelan production for political rather than technical reasons. As inventories are drawn down and geopolitical risks proliferate, the price of the benchmark Brent crude has recently touched USD$78, its highest level since 2014. If global problems continue to mount, the oil price could well see USD$100 before year-end. Of course, higher oil prices feed inflation. The direct effect of higher fuel prices is already evident in the CPI statistics, but higher fuel prices also flow on to higher costs for many industries.

The Chinese economy is a key driver of the Australian economy, so this year's rise in Chinese corporate insolvencies has been taken as a warning sign by some commentators. We, however, see it as an indicator that the Chinese government is successfully reducing the economy's exposure to financial risk. There are two important things to understand. The first is that China's insolvency laws are not like Western insolvency laws. In short, creditors have no rights. The second is that Chinese judges are appointed by the Communist Party and they do what the Party wants. The Chinese government has heard of judicial independence, and it's not having a bar of it.

The fate of an insolvent company is determined, not by an administrator and a creditors' committee, but by a committee dominated by representatives of the local government and the Party. The purpose of this committee is to preserve jobs and economic activity. Hence only small and unimportant enterprises are put into liquidation; bigger ones are restructured so that they can stay in business. Creditors – even the State-owned banks – always have to accept large haircuts on their debt and usually have to take equity in the new enterprise. Therefore China is not about to have a "Lehman moment".

In addition, the banking and insurance regulator has been cleaning out the most leveraged companies (such as Anbang) and encouraging the rest to raise more equity capital. Problem areas, such as local government loans, are being closely monitored, and the shadow banking sector is being forcibly shrunk. As a consequence, loan growth has slowed. The chart below shows how the ratio of corporate credit to GDP (excluding the financial sector) has actually begun to fall. This does not mean that China is out of danger – all governments can always manage to screw things up – but it is a positive sign.

Figure 1 Nonfinancial corporate credit in China, 2006Q1-2017Q3

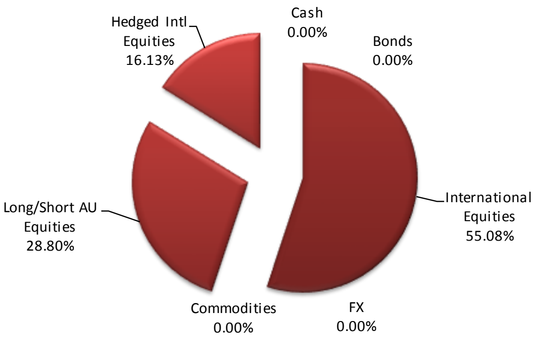


Source: Bank for International Settlements, www.bis.org/statistics/totcredit.htm (last updated on March 11, 2018).

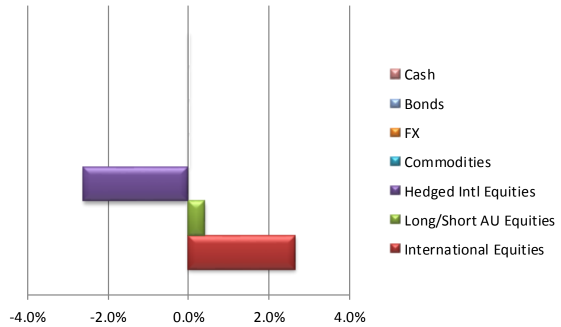
As global equity markets have recovered in April and May, the Arminius valuation indicators have moved back toward the expensive end of the dial. Markets are not yet so over-priced that they could fall of their own accord, but they are vulnerable to any external shock. It is likely that the ALPS Fund will take out some derivative protection in the near future.

PERFORMANCE TABLES

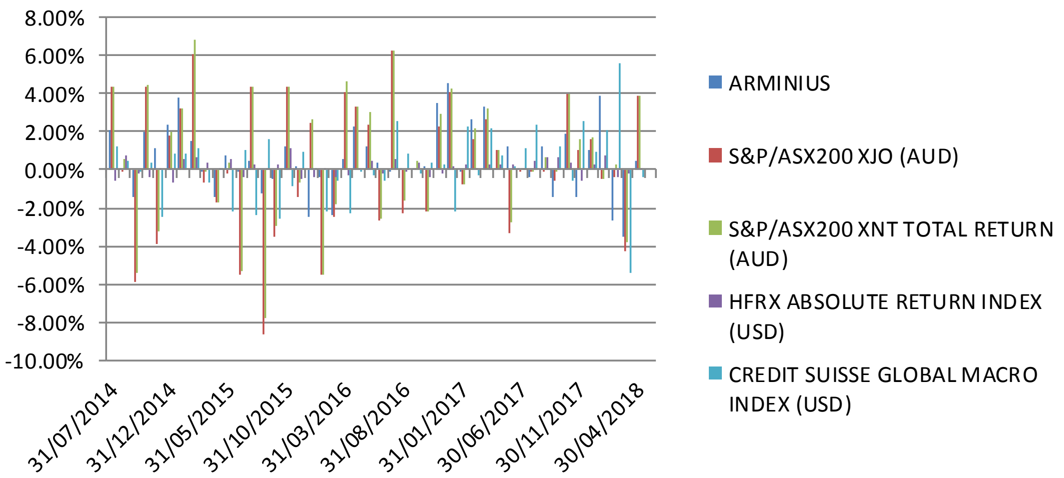
Exposure at month's end as % of NAV



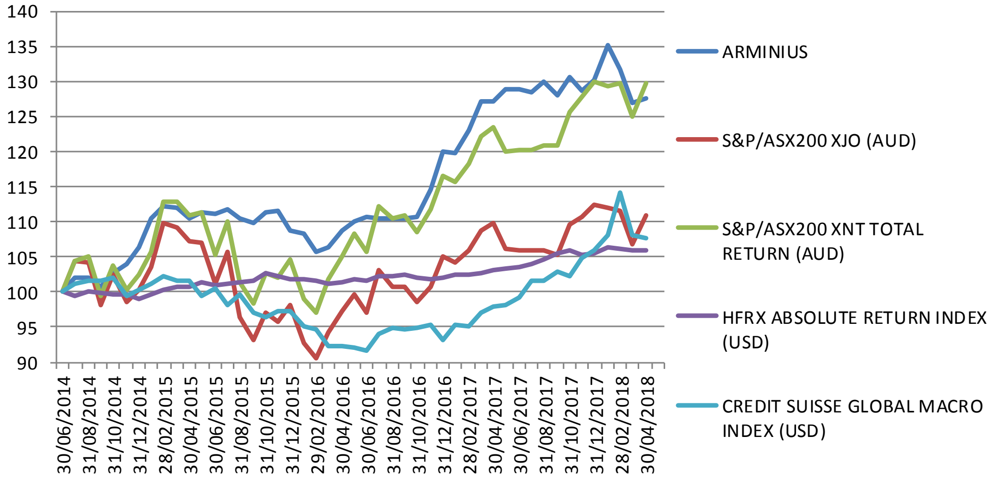
Monthly Individual Asset Class returns per SAA in local currency



Monthly Performance since Inception July 2014



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



GLOBAL FINANCIAL MARKETS – MONTHLY DATA

EQUITIES	31-Mar-18	30-Apr-18	ROR
EUROPE			
Germany DAX (TR)	12096.7	12612.1	**4.26%**
Switzerland SMI (PR)	8741.0	8886.3	**1.66%**
STOXX Europe 600 (EUR)	370.9	385.3	**3.90%**
FTSE 100	7056.6	7509.3	**6.42%**
France CAC 40	5167.3	5520.5	**6.84%**
FTSE MIB	22411.2	23979.4	**7.00%**
Netherlands AEX	529.5	555.7	**4.95%**
Belgium BEL 20	3857.1	3910.3	**1.38%**
OMX Stockholm 30	1535.4	1570.7	**2.30%**
Norway Oslo All-Share	907.4	974.2	**7.37%**
Ireland ISEQ	6593.7	6805.2	**3.21%**
Spain IBEX 35	9600.4	9980.6	**3.96%**
Cyprus CSE General	66.9	68.7	**2.63%**
AMERICAS			
S&P 500	2640.9	2648.1	**0.27%**
DJ 30 Industrials	24103.1	24163.2	**0.25%**
DJ 65 Composite Average	8092.5	8134.2	**0.52%**
NASDAQ Composite	7063.4	7066.3	**0.04%**
Russell 1000	1464.9	1468.3	**0.23%**
S&P TSX	15367.3	15607.9	**1.57%**
Brazil Bovespa	85365.6	86115.5	**0.88%**
Argentina Merval	31114.9	30006.4	-3.56%
Mexico IPC	46124.9	48358.2	**4.84%**
ASIA			
S&P ASX 200	5759.4	5982.7	**3.88%**
Nikkei 225	21159.1	22467.9	**6.19%**
Hang Seng	30093.4	30808.5	**2.38%**
Korea KOSPI	2436.4	2515.4	**3.24%**
FTSE Strait Times	3428.0	3613.9	**5.42%**
Taiwan TAIEX	10845.9	10657.9	-1.73%
New Zealand NZX 50 (TR)	8319.1	8443.6	**1.50%**
Shanghai SSE Composite	3160.5	3082.2	-2.48%
India S&P BSE SENSEX	32968.7	35160.4	**6.65%**
FTSE Bursa Malaysia KLCI	1856.4	1870.4	**0.76%**
Indonesia JSX	6189.0	5994.6	-3.14%

FOREIGN EXCHANGE	31-Mar-18	30-Apr-18	ROR
AUD/USD	0.768	0.753	-1.90%
EUR/USD	1.236	1.212	-1.90%
JPY/USD	105.893	108.956	**2.89%**
GBP/USD	1.406	1.378	-2.01%
CHF/USD	1.051	1.013	-3.63%
USD/CAD	0.776	0.779	**0.41%**
EUR/GBP	0.879	0.880	**0.10%**
AUD/EUR	1.610	1.610	**0.00%**
USD/CHF	0.957	0.991	**3.59%**
GBP/AUD	1.826	1.827	**0.05%**
CBOE Volatility Index	19.97	15.93	-20.23%

COMMODITIES	31-Mar-18	30-Apr-18	ROR
Energy			
Crude Oil WTI (NYM $/bbl) Continuous	64.94	68.57	**5.59%**
Brent Crude (ICE $/bbl) Continuous	70.27	75.17	**6.97%**
NY Harbor ULSD (NYM $/gal) Continuous	2.02	2.15	**6.35%**
NY Harb RBOB (NYM $/gal) Continuous	2.02	2.13	**5.45%**
Natural Gas (NYM $/btu) Continuous	2.73	2.76	**1.10%**
Precious Metals			
Gold (NYM $/ozt) Continuous	1327.30	1319.20	-0.61%
Silver (NYM $/ozt) Continuous	16.27	16.40	**0.82%**
Industrial Metals			
Aluminum (LME Cash $/t)	1997.00	2224.00	**11.37%**
High Grade Copper (NYM $/lbs) Continuous	6685.00	6783.00	**1.47%**
Nickel (LME Cash $/t)	13245.00	13725.00	**3.62%**
Iron Ore 62% CN TSI (NYM $/mt)	69.70	65.27	-6.36%
Zinc (LME Cash $/t)	3332.00	3171.00	-4.83%
Agricultural			
Corn (CBT $/bu) Continuous	3.88	4.01	**3.35%**
Soybeans (CBT $/bu) Continuous	10.45	10.49	**0.36%**
Wheat (CBT $/bu) Continuous	4.51	5.11	**13.19%**
Cotton #2 (NYF $/lbs) Continuous	0.81	0.84	**2.92%**
Sugar #11 (NYF $/lbs) Continuous	0.12	0.12	-4.86%
Indices			
GS Commodity (CME) Continuous	452.20	474.75	**4.99%**
PowerShares DB Commodity Index Tracking Fund	16.98	17.56	**3.42%**
db x-trackers SICAV - db x-trackers DB COMMODITY BO	15.92	16.29	**2.32%**

10 YEAR SOVEREIGN YIELDS	30-Mar-18	30-Apr-18	Yield D
US	2.74%	2.93%	**0.19%**
UK	1.36%	1.42%	**0.07%**
Europe	0.50%	0.57%	**0.07%**
Australia	2.58%	2.78%	**0.20%**
Belgium	0.77%	0.82%	**0.05%**
Canada	2.09%	2.30%	**0.21%**
Denmark	0.54%	0.58%	**0.04%**
France	0.72%	0.79%	**0.07%**
Germany	0.50%	0.57%	**0.07%**
Greece	4.29%	3.81%	-0.48%
Ireland	0.91%	0.97%	**0.06%**
Italy	1.80%	1.79%	0.00%
Japan	0.04%	0.05%	**0.01%**
Netherlands	0.64%	0.71%	**0.06%**
New Zealand	2.73%	2.84%	**0.11%**
Norway	1.85%	1.94%	**0.09%**
Portugal	1.61%	1.66%	**0.05%**
Spain	1.17%	1.28%	**0.11%**
Sweden	0.69%	0.71%	**0.02%**
Switzerland	0.05%	0.11%	-0.06%

ROR = Rate of Return
Yield D = Yield differential