MONTHLY PERFORMANCE REPORT
May 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: $15,455,904.40

Unit Price: 0.9493

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 +0.22% for the month, compared with +0.45% for the HFRX Absolute Return Index. The S&P/ASX200 price level (XJO) returned +0.49% for the month.

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. We are of the view that 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 GMMA Fund	HFRX (USD) ABSOLUTE RETURN INDEX	CREDIT SUISSE GLOBAL MACRO (USD) INDEX	S&P/ASX200 XJO (AUD)	S&P/ASX200 XNT TOTAL RETURN (AUD)
1 Month	**0.22%**	0.45%	-0.94%	0.49%	1.08%
3 Months	**-2.84%**	0.39%	-6.70%	-0.07%	1.03%
Calendar YTD	**-2.14%**	0.84%	0.65%	-0.88%	0.90%
1 Year	**-0.33%**	2.94%	8.71%	5.02%	9.30%
Cumulative Since Inception NOV 2016	**5.94%**	**4.30%**	**12.26%**	**13.05%**	**20.80%**

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

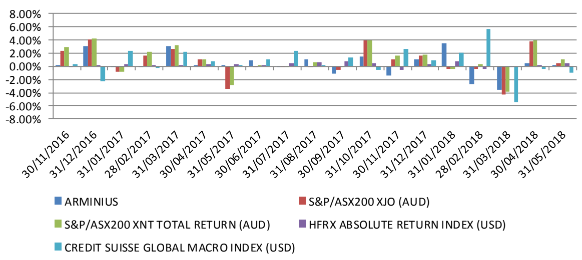
%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY
2016	-	-	-	-	-	-	-	-	**INCEPTION =>**		0.08%	3.06%	3.14%
2017	-0.02%	-0.14%	3.14%	0.02%	0.06%	0.94%	-0.08%	1.07%	-1.15%	1.47%	-1.36%	0.99%	4.96%
2018	3.47%	-2.66%	-3.50%	0.46%	0.22%								-2.14%

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).

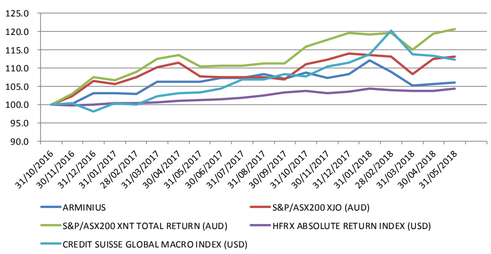
FUND OBJECTIVES: The Arminius Capital GMMA Fund invests by purchasing units in an underlying wholesale hedge fund, being the "**Arminius Capital ALPS Fund**", which provides investors with exposure to all asset classes in the global macro universe. As such, there may be some degree of difference between 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)



The Fund returned +0.22% this month, compared to +0.49% for the S&P/ASX200 Price index. The Fund's return for the calendar year to date is -2.14%, compared to +0.65% for the Credit Suisse Global Macro Index. The fund's return in the time period since inception is +5.94% vs +4.30% for the HFRX Absolute Return Index.

The US S&P500 price index rose by +2.16% in May, but most global equity markets were weak, as rumours circulated about an imminent US-China trade war. The Stoxx Europe 600 price index slipped -0.59%, and Japan's Nikkei 225 fell -1.18%. The Shanghai Composite price index rose +0.43% but Hong Kong's Hang Seng price index went down -1.1%. Most markets are still below where they started the year. (All figures are in the currency of each market.)

Record levels of corporate debt

Global debt of US non-financial companies as a percentage of US gross domestic product

Global debt outstanding (all currencies) from US-based companies; GDP in current dollars, seasonally adjusted and annualised

Source: Bank for International Settlements, Bureau of Economic Analysis

© FT

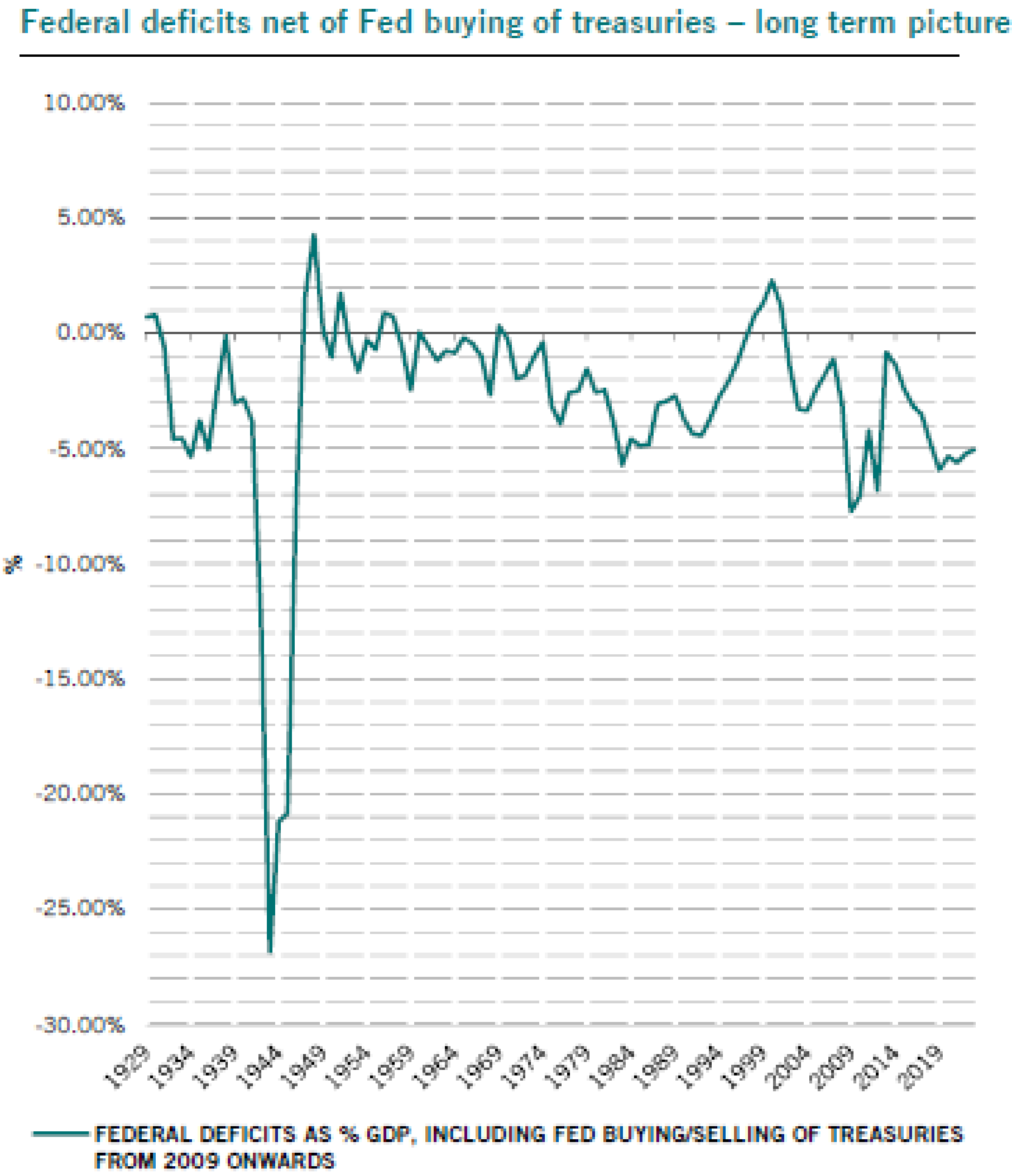
Global equity markets have a good record of long term growth, but they also produce negative returns about once a decade, usually because of recessions or financial crises. As we approach the tenth anniversary of the GFC, investors are asking us, "When is the next GFC going to happen?" We think that it will occur in the next two years, but it won't be the same as last time around.

In the US, good economic data are concealing underlying problems with corporate debt and government debt. The chart above shows how, since the GFC, US companies have succumbed to the lure of cheap debt, whether from banks or bond markets. The bulk of the increase in debt has funded share buybacks, rather than capital expenditure on real assets.

The picture is almost as bad in the government sector, as the chart on the next page shows. Apart from a few isolated atypical boom years under Clinton, the Federal government has been running deficits since Nixon's first term. The Republicans in Congress had complained about Obama's deficits, but in December 2017 they voted in a package of unfunded tax cuts which would total USD$1.5 trillion over the next ten years. Under these circumstances it is not surprising that the yields on US government bonds have been rising this year. Blue and Red American parties have historically demonstrated that they both have difficulty in balancing the ledger after delivering the policies that helped get them elected. This administration is doing nothing to disprove that historical trait; instead keeping with the same tradition as almost all administrations that have come before it in the post-war era.

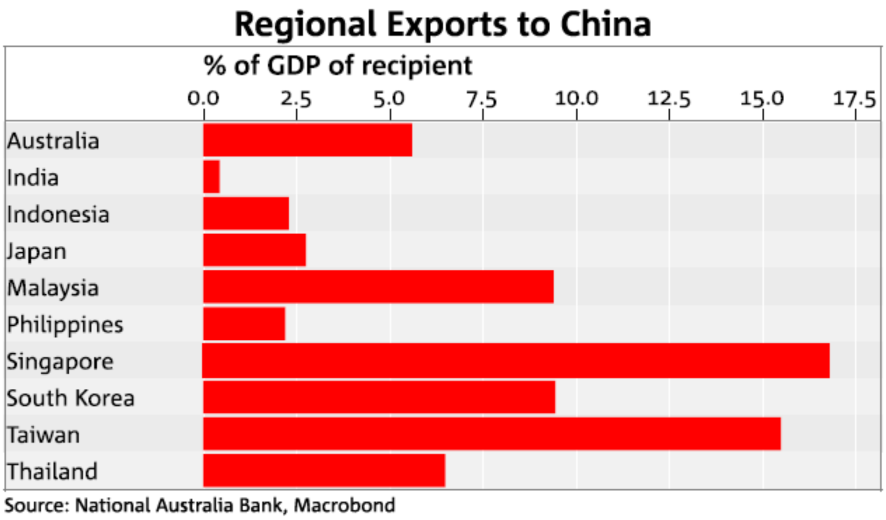
By contrast, the banks and the households whose over-gearing fuelled the GFC have been on their best behaviour. US banks have been forced to improve their disclosure and their risk management at the same time as they were raising more equity to serve as a buffer against bad loans. US consumers have been generally living within their means since the GFC, and savings ratios have improved slightly.

Therefore we expect that the next financial crisis in the US will mainly affect the corporate sector. Current levels of corporate gearing suggest that there will be a rash of corporate insolvencies, as in the early 1990s, with some collateral damage to the banks who lent to the insolvent companies. And we mustn't forget the wild cards – currency crises in emerging markets (e.g. the 1998 Asian crisis) and the knock-on effects of a possible US-China trade war.



Source: Federal Reserve, CBO, Pictet Asset Management.

As we have noted in previous monthly reviews, the probability of a US-China trade war is increasing, even though the Trump White House is sending mixed signals. The effects of a trade war will be more serious for smaller economies which have strong trading relationships with China, as summarized in the table on the following page. In 2016 China bought 28% of Australia's exports, but another 27% of our exports went to other Asian countries which are also major trading partners of China. Therefore Australia – along with Singapore, South Korea, and Taiwan – will suffer twice over if a trade war does break out.



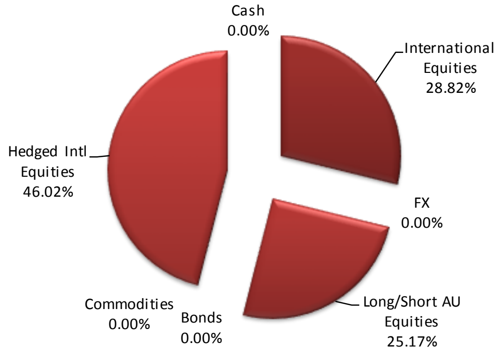
But the news is not all bad. In Australia, March quarter GDP growth reached 3.1%, which was well above most forecasts. This augurs well for earnings growth among S&P/ASX200 companies and, as upgrades filter through analyst forecasts, the valuations of Australian companies may improve in coming months – excluding the banking and resource sectors.

We continue to have long Australian equities exposure in the fund to select Australian stocks who had an enjoyable May, such as Domino's Pizza, Super Retail Group and Accent Group, despite our fears about possible heady valuations in the months ahead. The fund has employed protection strategies through May in order to preserve the capital base of the fund and expects to continue this practice in the months ahead.

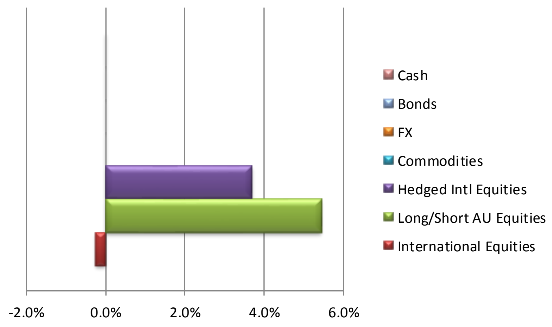
UNDERLYING FUND DATA

Important Note: The data on this page (unless otherwise referenced) specifically refers to the underlying find. 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 Asset Class average returns of individual constituents per SAA in domestic market currency



- 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-Apr-18	31-May-18	ROR
EUROPE			
Germany DAX (TR)	12612.1	12604.9	-0.06%
Switzerland SMI (PR)	8886.3	8457.0	-4.83%
STOXX Europe 600 (EUR)	385.3	383.1	-0.59%
FTSE 100	7509.3	7678.2	2.25%
France CAC 40	5520.5	5398.4	-2.21%
FTSE MIB	23979.4	21784.2	-9.15%
Netherlands AEX	555.7	552.9	-0.52%
Belgium BEL 20	3910.3	3764.2	-3.74%
OMX Stockholm 30	1570.7	1549.9	-1.32%
Norway Oslo All-Share	974.2	998.6	2.50%
Ireland ISEQ	6805.2	7140.9	4.93%
Spain IBEX 35	9980.6	9465.5	-5.16%
Cyprus CSE General	68.7	71.0	3.35%
AMERICAS			
S&P 500	2648.1	2705.3	2.16%
DJ 30 Industrials	24163.2	24415.8	1.05%
DJ 65 Composite Average	8134.2	8234.5	1.23%
NASDAQ Composite	7066.3	7442.1	5.32%
Russell 1000	1468.3	1502.3	2.32%
S&P TSX	15607.9	16061.5	2.91%
Brazil Bovespa	86115.5	76753.6	-10.87%
Argentina Merval	30006.4	28558.8	-4.82%
Mexico IPC	48358.2	44662.6	-7.64%
ASIA			
S&P ASX 200	5982.7	6011.9	0.49%
Nikkei 225	22467.9	22201.8	-1.18%
Hang Seng	30808.5	30468.6	-1.10%
Korea KOSPI	2515.4	2423.0	-3.67%
FTSE Strait Times	3613.9	3428.2	-5.14%
Taiwan TAIEX	10657.9	10875.0	2.04%
New Zealand NZX 50 (TR)	8443.6	8658.8	2.55%
Shanghai SSE Composite	3082.2	3095.5	0.43%
India S&P BSE SENSEX	35160.4	35322.4	0.46%
FTSE Bursa Malaysia KLCI	1870.4	1740.6	-6.94%
Indonesia JSX	5994.6	5983.6	-0.18%

FOREIGN EXCHANGE	30-Apr-18	31-May-18	ROR
AUD/USD	0.753	0.757	0.49%
EUR/USD	1.212	1.170	-3.49%
JPY/USD	108.956	108.519	-0.40%
GBP/USD	1.378	1.330	-3.46%
CHF/USD	1.013	1.016	0.32%
USD/CAD	0.779	0.772	-0.93%
EUR/GBP	0.880	0.880	-0.02%
EUR/AUD	1.610	1.546	-3.96%
USD/CHF	0.991	0.986	-0.49%
GBP/AUD	1.827	1.756	-3.88%
CBOE Volatility Index	15.93	15.43	-3.14%

COMMODITIES	30-Apr-18	31-May-18	ROR
Energy			
Crude Oil WTI (NYM $/bbl) Continuous	68.57	67.04	-2.23%
Brent Crude (ICE $/bbl) Continuous	75.17	77.59	3.22%
NY Harbor ULSD (NYM $/gal) Continuous	2.15	2.20	2.57%
NY Harb RBOB (NYM $/gal) Continuous	2.13	2.16	1.39%
Natural Gas (NYM $/btu) Continuous	2.76	2.95	6.84%
Precious Metals			
Gold (NYM $/ozt) Continuous	1319.20	1304.70	-1.10%
Silver (NYM $/ozt) Continuous	16.40	16.46	0.35%
Industrial Metals			
Aluminum (LME Cash $/t)	2224.00	2285.50	2.77%
High Grade Copper (NYM $/lbs) Continuous	6783.00	6825.00	0.62%
Nickel (LME Cash $/t)	13725.00	15200.00	10.75%
Iron Ore 62% CN TSI (NYM $/mt)	65.27	65.95	1.04%
Zinc (LME Cash $/t)	3171.00	3100.00	-2.24%
Agricultural			
Corn (CBT $/bu) Continuous	4.01	3.94	-1.68%
Soybeans (CBT $/bu) Continuous	10.49	10.19	-2.86%
Wheat (CBT $/bu) Continuous	5.11	5.26	3.09%
Cotton #2 (NYF $/lbs) Continuous	0.84	0.93	11.10%
Sugar #11 (NYF $/lbs) Continuous	0.12	0.13	8.85%
Indices			
GS Commodity (CME) Continuous	474.75	481.20	1.36%
PowerShares DB Commodity Index Tracking Fund	17.56	18.03	2.68%
db x-trackers SICAV - db x-trackers DB COMMODITY BO	16.29	16.57	1.72%

10 YEAR SOVEREIGN YIELDS	29-Apr-18	31-May-18	Yield D
US	2.96%	2.83%	-0.13%
UK	1.46%	1.23%	-0.23%
Europe	0.57%	0.33%	-0.24%
Australia	2.83%	2.65%	-0.18%
Belgium	0.82%	0.74%	-0.08%
Canada	2.32%	2.22%	-0.09%
Denmark	0.59%	0.33%	-0.26%
France	0.79%	0.67%	-0.12%
Germany	0.57%	0.33%	-0.24%
Greece	3.90%	4.55%	0.65%
Ireland	0.97%	0.94%	-0.03%
Italy	1.74%	2.82%	1.08%
Japan	0.05%	0.03%	-0.02%
Netherlands	0.71%	0.51%	-0.20%
New Zealand	2.88%	2.73%	-0.16%
Norway	1.94%	1.74%	-0.20%
Portugal	1.64%	1.95%	0.31%
Spain	1.25%	1.48%	0.23%
Sweden	0.71%	0.47%	-0.24%
Switzerland	0.12%	-0.05%	0.17%

ROR = Rate of Return
Yield D = Yield differential