MONTHLY PERFORMANCE REPORT
July 2018

The Fund returned -1.77% for the month, compared with -1.31% for the Credit Suisse Global Macro Index. The HFRX Absolute Return Index returned -0.05% for the month. The Fund has achieved its returns with lower volatility than the S&P/ASX 200 since inception July 2014, as a consequence of our risk averse strategies.

Our stance is negative towards US equities; 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.

PERFORMANCE (Inception JUL-2014)	Arminius Capital ALPS Fund	HFRX (USD) ABSOLUTE RETURN INDEX	CREDIT SUISSE GLOBAL MACRO (USD) INDEX	MSCI World Index	S&P/ASX200 XJO (AUD)
1 Month	**-1.77%**	-0.05%	-1.31%	3.08%	1.38%
3 Months	**-2.10%**	0.60%	-2.53%	4.27%	4.97%
Calendar YTD	**-3.99%**	0.99%	-0.97%	3.26%	3.55%
1 Year	**-2.70%**	2.50%	6.47%	10.63%	9.78%
3 Years	**11.75%**	5.35%	6.98%	21.68%	10.19%
5 Years	**-**	9.88%	3.87%	51.18%	24.31%
Cumulative since Inception JUL 2014	**24.32%**	**6.63%**	**4.89%**	**32.61%**	**16.39%**

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%	0.24%	-0.57%	-1.77%						-3.99%

* 2014/07 - 2015/02 Strategy run as Mandate, 2015/03+ as Unit Trust Structure. EOM date is typically 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, according to what each hedging sub-strategy dictates.

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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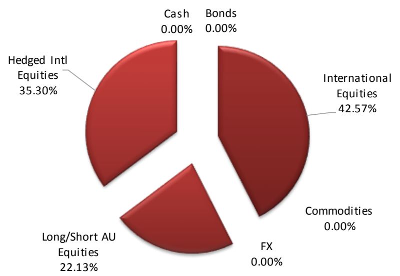
FUND STATISTICS MONTHLY

From July 2014	ALPS Fund	XJO
Sharpe Ratio	**0.60**	0.21
Sortino Ratio (RFR)	**1.67**	0.71
Downside Deviation	**2.21%**	3.44%
Standard Deviation	**1.78%**	3.35%
Annualized SD	**6.17%**	11.60%
Mean Monthly Return	**0.47%**	0.37%
Compound Monthly Return	**0.46%**	0.31%
Excess Return (RFR)	**3.69%**	2.44%
Portfolio Correlation to XJO	**0.46**	-
R^2 Coefficient of Determination	**0.06**	-

STRATEGIC ASSET ALLOCATION
at Month's commencement



FUND MANAGER'S COMMENTARY:

The Fund returned -1.77% in July, compared to -0.05% for the HFRX Absolute Return Index. The Fund's return for the calendar year to date is -3.99% vs 0.99% for the HFRX Absolute Return Index.

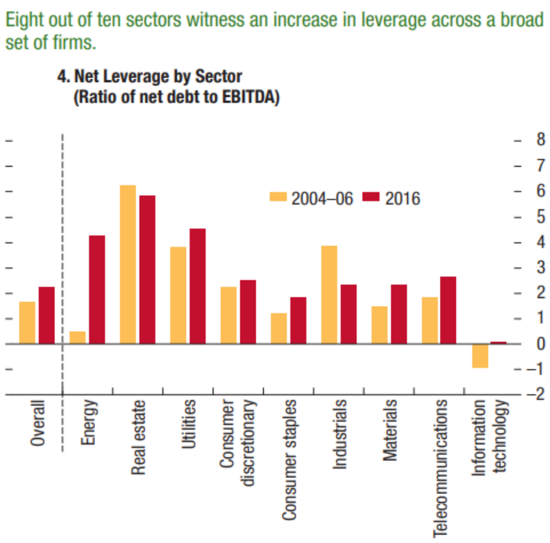
Strong corporate earnings and GDP growth of 4.1% for the June quarter helped to lift the US S&P500 price index by 3.6% in July. For similar reasons, the Stoxx 600 European index rose by 3.1% in June. By contrast, Asian equity markets moved by 1% or less either way as fears of a US-China trade war receded but did not disappear. Chinese markets are still at least 13% below their year-start levels. (All figures are in the currency of each market).

The fundamental reason why the ALPS Fund underperformed in July is that our quantitative models are saying that many markets are fully priced and a correction is overdue. Alternatively, think of it as walking through a bone-dry eucalyptus forest on a hot summer day. You know that the conditions are ripe for a bushfire – you just don't know whether it will start today, tomorrow, next week, or next month. So, the fund was exposed net short and markets continued to rise – a rise our models state are unsupported by fundamentals.

Through July, our models indicated net short positions in many of the markets the fund had exposure to. Our models particularly viewed the Australian stock market as the most statistically expensive of all the global equity markets we have exposure to, so our dynamic models had their highest degree of shorting active there. The short positions in Australia did not perform in July as expected, and this detracted significantly from the fund's total returns for July. Although the fund's long positions in Australia performed acceptably (positive) on a stock by stock position (eg. Super Retail Group, Magellan, JB Hifi) our net short exposures offset these gains.

Late in July, Facebook fell some -20% in one day (the 26th). It took with it the unenviable title of the largest one day drop by nominal dollars of any publicly listed company in US history, with ~$120 Billion worth of share holder value disappearing into the ether. To put this in perspective, this is almost equal to the value of McDonald's or Nike, and larger also than GE, Goldman Sachs, Blackrock and entire stock markets of some South American countries who currently have interest rates of 45% (Argentina). For the record, we do not hold a direct long position in Facebook – only at its constituent weighting in the S&P500 of our index level exposure. The fact that this colossal amount of share holder value disappeared in merely one day from the markets' beloved FAANG participant, without the merest indication of guidance from the company itself or hint of analyst forewarning does not bode well for the rest of the market when corporates' profit downgrades eventually begin to seep through the analysts' numbers as the Fed continues its rate rising later this year. We said in our February performance report that the Volatility Spike sending the VIX up to 50 was merely a prelude, not the requiem.

As the US and Europe equity markets also rose by more than 3% each in July, our net short exposures there were similarly affected. We view global equity markets in second half 2018 as Potemkin Villages awaiting recalibration. There is a plethora of reasons to doubt the continued upwards march of equities, particularly whilst other well experienced leading indicators such as copper (down -16.7% from its peak in June to 31 July) point to a very different end to 2018. The fund will hold short positions into August and at the time of writing this report (early August) those shorts have already started to move into profit for the month.

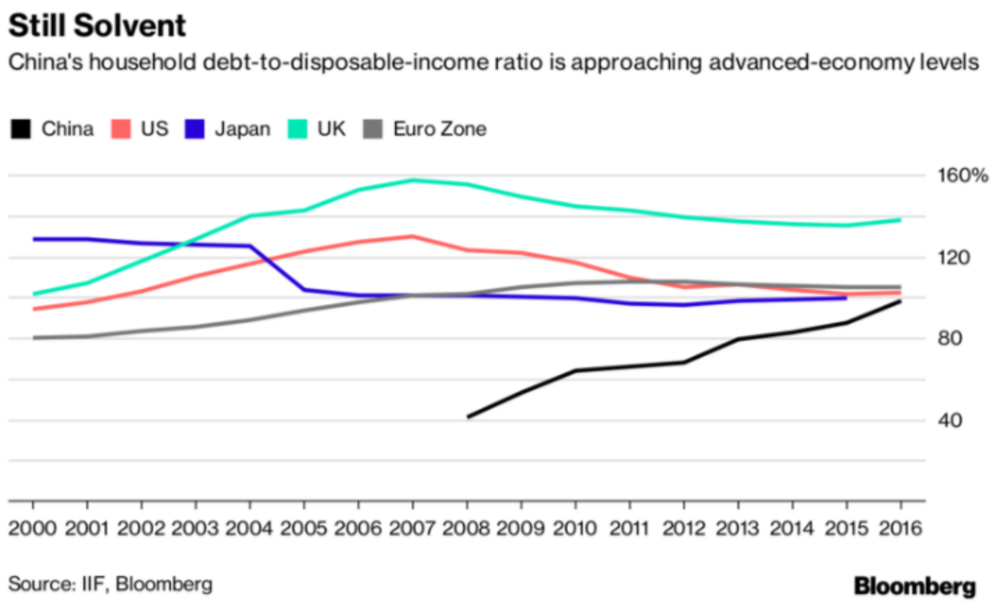


The probable triggers for a crisis are debt in US corporations and debt in emerging markets. The chart above shows how leverage (expressed as net debt to EBITDA) has risen in most US sectors since the GFC.

US corporate bonds will become more vulnerable if a trade war breaks out or if the US dollar continues to rise, because when a company is highly leveraged, even a small surprise can tip it over the edge.

At the time of the GFC, the emerging market economies congratulated themselves that they had not made the same mistake as US and European policymakers – allowing housing debt to mount and mount until it threatened the stability of the banking system. This time around, their housing debt is still modest, but emerging markets governments and corporations have taken advantage of record low interest rates to gear up their balance sheets. For many economies, an adverse turn of events – such as falling commodity prices – could trigger a foreign exchange crisis, a debt crisis, a banking crisis, or all three.

This problem is of course most obvious in China, where total debt is now nearly three times GDP. For the last eighteen months, the authorities have been trying to reduce the rate of credit growth, with some success. But one consequence has been a tightening in the flow of credit to the private sector, which will tend to slow GDP growth and increase the number of insolvencies. Meanwhile, the impact of the Trump tariffs will further complicate the problem of how to get the financial system under control without bringing the economy to a halt. Ten years ago, at the time of the GFC, the average Chinese household had very little consumer debt or mortgage debt. Now, as the chart below shows, rapid economic growth and the wider availability of loans have lifted household indebtedness almost to Western levels.



The Australian market in July reached its highest level since the GFC, partly driven by hopes of a good result season in August. Most sectors rose slightly during the month, led by telecommunications (although this may just be a dead cat bounce). Inflation remained subdued at 2.1% year on year, and house prices declined between 1% and 3% in most capital cities. The Australian resources sector was flat for the month. The prices of most commodities fell in July, led by the base metals. We spoke previously about copper. Iron ore was the exception, jumping 4.5% to $67 per tonne on falling inventories and the expectation that the authorities will mandate more production cuts. Crude oil prices weakened as the oil market worried about production increases and tried to assess the impact of sanctions on Iran.

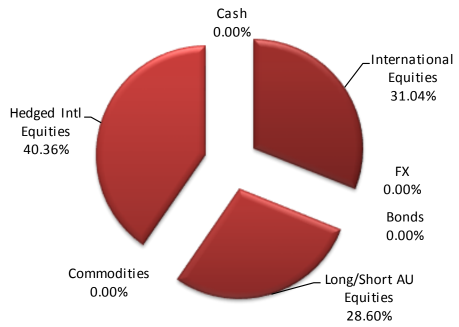
We remain wary of Australian equities for three main reasons. The strongest is that all the Asian markets are down for the year to date, because they have factored in the probable consequences of a US-China trade war. The ASX has not, even though the Australian economy is just as exposed to China. The benchmark China Shenzen A Share Index is down -17.03% for the calendar year to date to 31 July, whereas the ASX200 is up 3.55%. For the Australian company analysts to continue to refuse to factor in expectations that the US-China trade war impacts will have an effect on Australian company earnings' projections is, in our opinion, (but in the words of Dr Johnson) a triumph of hope over experience.

The second reason is that, even without a trade war, Chinese GDP growth is slowing down, so that demand for resources is retreating and commodity prices are falling. Copper, for example, is regarded as a good leading indicator because it has a broad range of industrial uses: the copper price has fallen 16% in recent weeks, as shown in the chart below.

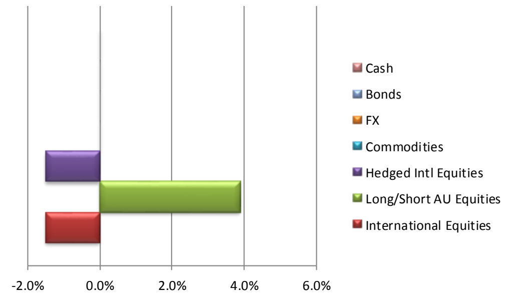
Finally, the weakness in house prices and housing starts suggests that the Australian economy will decelerate in 2019 and 2020, damaging profitability in many sectors. Under these circumstances, we consider that the Australian share market is overdue for a correction.

PERFORMANCE TABLES

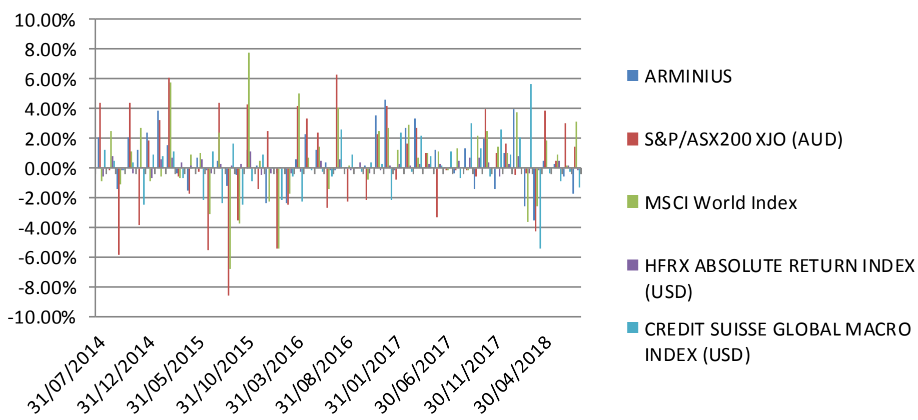
Exposure at month's end as % of NAV



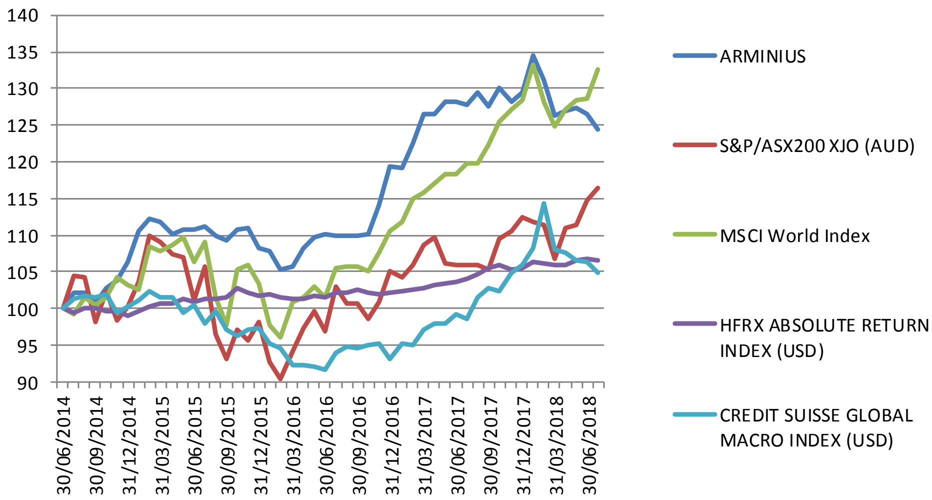
Monthly Asset Class average returns of individual constituents per SAA in domestic market currency



Monthly Performance since Inception July 2014



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



GLOBAL FINANCIAL MARKETS – MONTHLY DATA

EQUITIES	30-Jun-18	31-Jul-18	ROR
EUROPE			
Germany DAX (TR)	12306.0	12805.5	4.06%
Switzerland SMI (PR)	8609.3	9174.3	6.56%
STOXX Europe 600 (EUR)	379.9	391.6	3.07%
FTSE 100	7636.9	7748.8	1.46%
France CAC 40	5323.5	5511.3	3.53%
FTSE MIB	21626.3	22215.7	2.73%
Netherlands AEX	551.7	574.3	4.09%
Belgium BEL 20	3719.9	3899.0	4.82%
OMX Stockholm 30	1558.9	1615.6	3.64%
Norway Oslo All-Share	1004.9	1017.7	1.27%
Ireland ISEQ	6982.8	6832.0	-2.16%
Spain IBEX 35	9622.7	9870.7	2.58%
Cyprus CSE General	75.0	75.9	1.25%
AMERICAS			
S&P 500	2718.4	2816.3	3.60%
DJ 30 Industrials	24271.4	25415.2	4.71%
DJ 65 Composite Average	8146.1	8548.0	4.93%
NASDAQ Composite	7510.3	7671.8	2.15%
Russell 1000	1510.0	1560.4	3.34%
S&P TSX	16277.7	16434.0	0.96%
Brazil Bovespa	72762.5	79220.4	8.88%
Argentina Merval	26037.0	29287.3	12.48%
Mexico IPC	47663.2	49698.0	4.27%
ASIA			
S&P ASX 200	6194.6	6280.2	1.38%
Nikkei 225	22304.5	22553.7	1.12%
Hang Seng	28955.1	28583.0	-1.29%
Korea KOSPI	2326.1	2295.3	-1.33%
FTSE Strait Times	3268.7	3319.9	1.56%
Taiwan TAIEX	10836.9	11057.5	2.04%
New Zealand NZX 50 (TR)	8943.1	8922.1	-0.24%
Shanghai SSE Composite	2847.4	2876.4	1.02%
India S&P BSE SENSEX	35423.5	37606.6	6.16%
FTSE Bursa Malaysia KLCI	1691.5	1784.3	5.48%
Indonesia JSX	5799.2	5936.4	2.37%

FOREIGN EXCHANGE	30-Jun-18	31-Jul-18	ROR
AUD/USD	0.740	0.744	0.55%
EUR/USD	1.174	1.174	0.01%
JPY/USD	110.284	111.483	1.09%
GBP/USD	1.324	1.315	-0.65%
CHF/USD	1.016	1.014	-0.15%
USD/CAD	0.762	0.770	1.10%
EUR/GBP	0.887	0.893	0.67%
EUR/AUD	1.586	1.578	-0.54%
USD/CHF	0.991	0.990	-0.04%
GBP/AUD	1.785	1.767	-1.03%
CBOE Volatility Index	16.09	12.83	-20.26%

COMMODITIES	30-Jun-18	31-Jul-18	ROR
Energy			
Crude Oil WTI (NYM $/bbl) Continuous	74.15	68.76	-7.27%
Brent Crude (ICE $/bbl) Continuous	79.44	74.25	-6.53%
NY Harbor ULSD (NYM $/gal) Continuous	2.21	2.14	-3.27%
NY Harb RBOB (NYM $/gal) Continuous	2.15	2.08	-3.29%
Natural Gas (NYM $/btu) Continuous	2.92	2.78	-4.86%
Precious Metals			
Gold (NYM $/ozt) Continuous	1254.50	1233.60	-1.67%
Silver (NYM $/ozt) Continuous	16.20	15.56	-3.94%
Industrial Metals			
Aluminum (LME Cash $/t)	2183.00	2061.00	-5.59%
High Grade Copper (NYM $/lbs) Continuous	6646.00	6213.00	-6.52%
Nickel (LME Cash $/t)	14910.00	13770.00	-7.65%
Iron Ore 62% CN TSI (NYM $/mt)	64.80	64.35	-0.69%
Zinc (LME Cash $/t)	2948.00	2630.00	-10.79%
Agricultural			
Corn (CBT $/bu) Continuous	3.71	3.87	4.11%
Soybeans (CBT $/bu) Continuous	8.80	9.19	4.43%
Wheat (CBT $/bu) Continuous	5.01	5.54	10.47%
Cotton #2 (NYF $/lbs) Continuous	0.84	0.90	6.76%
Sugar #11 (NYF $/lbs) Continuous	0.12	0.11	-13.88%
Indices			
GS Commodity (CME) Continuous	487.10	465.10	-4.52%
PowerShares DB Commodity Index Tracking Fund	17.68	17.25	-2.43%
db x-trackers SICAV - db x-trackers DB COMMODITY BO	15.97	15.63	-2.12%

10 YEAR SOVEREIGN YIELDS	29-Jun-18	31-Jul-18	Yield D
US	2.85%	2.97%	0.12%
UK	1.27%	1.34%	0.07%
Europe	0.30%	0.45%	0.15%
Australia	2.64%	2.66%	0.02%
Belgium	0.69%	0.75%	0.05%
Canada	2.16%	2.34%	0.18%
Denmark	0.32%	0.40%	0.08%
France	0.66%	0.74%	0.08%
Germany	0.30%	0.45%	0.15%
Greece	3.93%	3.95%	0.01%
Ireland	0.81%	0.91%	0.09%
Italy	2.69%	2.75%	0.07%
Japan	0.03%	0.06%	0.03%
Netherlands	0.46%	0.54%	0.08%
New Zealand	2.86%	2.78%	-0.08%
Norway	1.76%	1.86%	0.10%
Portugal	1.78%	1.75%	-0.03%
Spain	1.32%	1.41%	0.10%
Sweden	0.49%	0.59%	0.10%
Switzerland	-0.05%	0.02%	-0.07%

ROR = Rate of Return
Yield D = Yield differential