MONTHLY PERFORMANCE REPORT
August 2018

The Fund returned +0.88% for the month, compared with -0.72% for the Credit Suisse Global Macro Index. The HFRX Absolute Return Index returned 0.37% 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	**0.88%**	0.37%	-0.72%	1.14%	0.63%
3 Months	**-1.47%**	0.51%	-2.27%	4.47%	5.12%
Calendar YTD	**-3.14%**	1.36%	-1.64%	4.43%	4.19%
1 Year	**-3.08%**	2.21%	2.63%	11.96%	10.59%
3 Years	**14.14%**	5.61%	4.55%	32.10%	21.37%
5 Years	-	11.08%	3.53%	56.45%	23.07%
Cumulative since Inception JUL 2014	**25.41%**	**7.02%**	**4.18%**	**34.12%**	**17.12%**

Arminius Capital ALPS Fund (Inception July-2014) Returns are net of base fees; gross of performance fee.

%	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%	0.88%					-3.14%

* 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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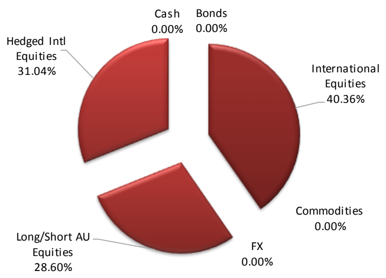
FUND STATISTICS MONTHLY

From July 2014	ALPS Fund	XJO
Sharpe Ratio	**0.63**	0.22
Sortino Ratio (RFR)	**1.77**	0.75
Downside Deviation	**2.17%**	3.38%
Standard Deviation	**1.76%**	3.31%
Annualized SD	**6.11%**	11.48%
Mean Monthly Return	**0.48%**	0.37%
Compound Monthly Return	**0.46%**	0.32%
Excess Return (RFR)	**3.83%**	2.53%
Portfolio Correlation to XJO	**0.46**	-
R^2 Coefficient of Determination	**0.06**	-

STRATEGIC ASSET ALLOCATION
at Month's commencement

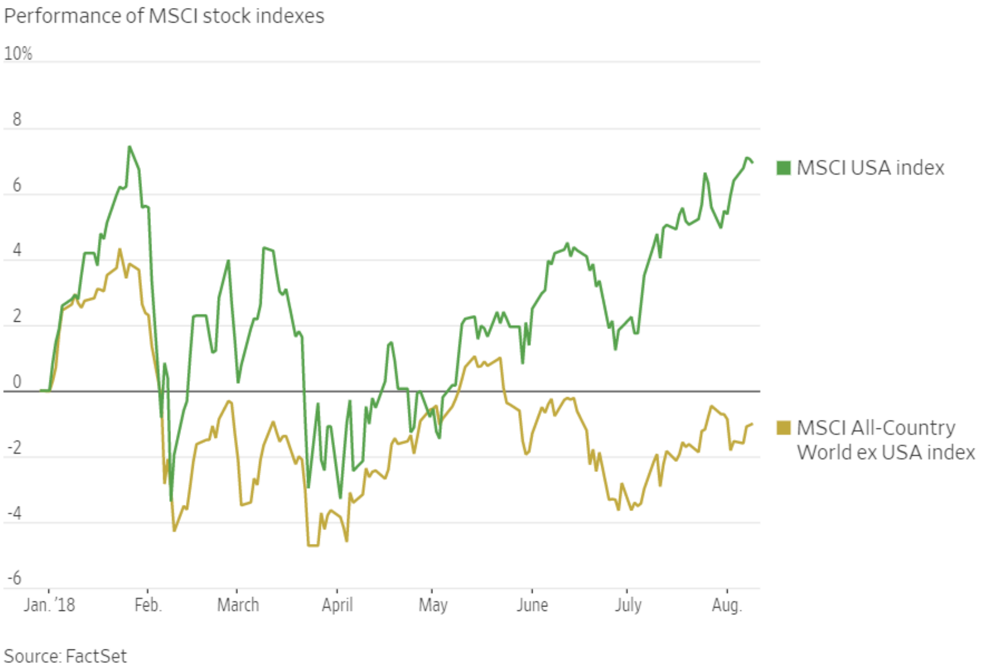


FUND MANAGER'S COMMENTARY:

The Fund returned +0.88% in August, compared to -0.72% for the Credit Suisse Global Macro index and +0.36% for the HFRX Global Macro Index. The ASX200 did +0.63% while the US S&P500 price index rose by 3.03% in August, setting new records. In contrast, the continuing march toward a trade war drove Chinese markets down: Shanghai fell by -5.25% and Shenzhen by -7.94%. For the year to date, the Chinese markets are down 17.6% and 23.6% respectively.

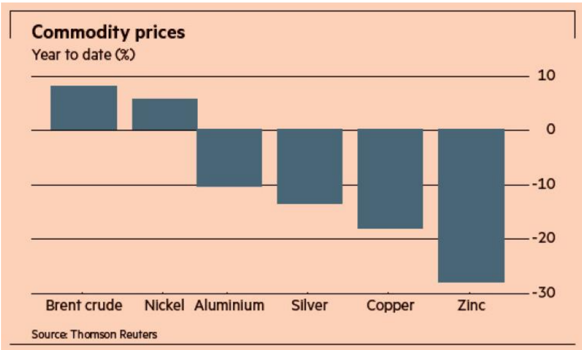
The Stoxx 600 European price index fell by -2.39% in August, partly because of the impact of the Turkish currency crisis on those European banks which have Turkish exposures but also driven down by the Italian stock market falling -8.76% during August. (All figures are in the currency of each market.)

Italy's stock market is proving to be as robust as Italy's infrastructure. A monthly collapse of equities approaching -9% (in four weeks!) was only eclipsed by the tragic loss of 43 souls when a bridge collapsed that most first world countries would take for granted to be able to stand freely. This incident is sadly representative not only of the state of Italy's infrastructure but also their political and fiscal position. Immediately after the bridge collapsed, the government petitioned Brussels for an increase to the EU's limit of their budget deficit, citing "infrastructure spend needs". This despite the fact that private and publicly listed companies operate and allegedly maintain a large part of Italy's "infrastructure". Whatever the Italian translation of "political opportunism" is, insert here. We continue to watch Italian bond spreads vs their European counterparts for signs of distress in European bond markets. Given that Signore Mario Draghi will move on from his position at the ECB later this year, it will be of interest to market participants to see how a non-Italian (most likely German) head of the ECB will treat the Italian debt market as the European central bank winds down its bond purchase program.



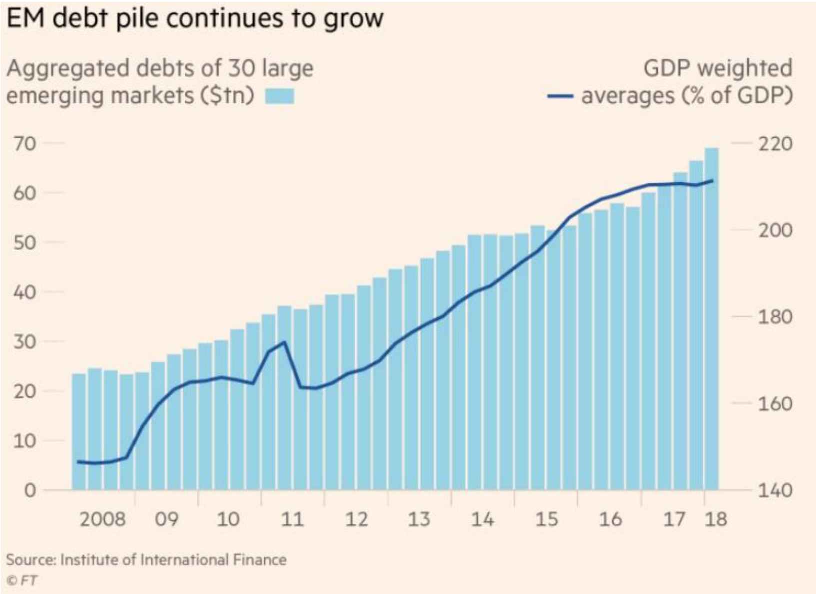
The chart above shows the performance of the US share market versus the rest of the world. The US has consistently outperformed the rest of the world throughout 2018, and very strongly since May. European markets have been flat, and the ASX is almost the only other equity market to rise this year. Emerging markets have almost all fallen below their year-start levels.

There are two broad factors behind the fall in the emerging markets. The first is the slide in commodity prices (caused by slower economic growth in China), which has reduced countries' export income and companies' revenues.



The second is the relentless rise in the indebtedness of the emerging economies – both corporate debt and government debt – as shown in the chart below. At the time of the GFC, the emerging economies were carrying relatively little debt, so they were barely affected by the insolvencies of so many US and European banks. Now, however, they are learning the lessons which they should have learned from the GFC.

The rise in US interest rates has raised the cost of servicing the debt, while the tightening of global liquidity has limited borrowers' options for re-financing the principal. The result is a series of currency crises, starting in Turkey and Argentina, and spreading rapidly as Western investors pull their money out of any country which might be at risk. The mechanism is much the same as in the Asian crisis of 1997-98, except that the players are different. (Countries like China and Thailand did learn their lesson.)



To repeat the analogy we used in last month's report, global financial markets are like the Australian bush after a hot, dry summer. You know that there is going to be a bushfire – you just don't know whether it will start today, next week, or next month.

The US and European economies are not directly affected by currency crises in emerging markets, but they will be indirectly affected via trade and lending and investment, just as they were in 1997-98. These indirect effects will be much worse if the US-China trade war intensifies.

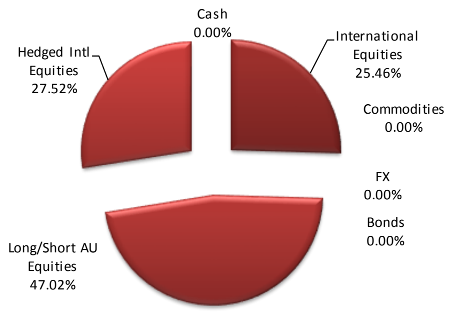
In Australia, a good results season pushed the share market higher in August, except for the Materials, Energy, and Financials Sectors. Resource stocks reacted negatively to falling commodity prices: recent statistics indicate that the Chinese economy was slowing down even before The Donald decided to start a trade war. On top of all this, African swine fever has broken out in several Chinese provinces: because China's four hundred million or so pigs are the main source of meat, the spread of this disease will have far worse conequences than the outbreaks of BSE ("mad cow disease") ever had in the West.

The banking sector faces major hurdles in both the short and the long term. The weakness in house prices and housing starts implies an increase in bad loans (although far short of previous downturns), which will damage profits and may lead to some dividend cuts in 2019 and 2020. The revelations of the Hayne Royal Commission have made it inevitable that the banks will be subject to more restrictive regulation – only the details and timing are unknown.

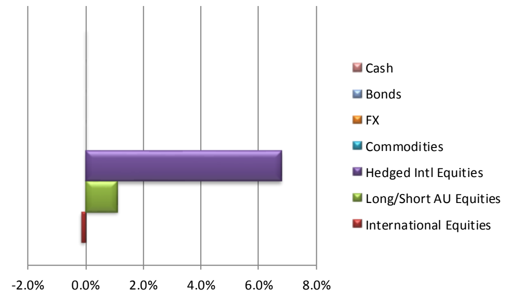
Therefore, although the Australian economy is in surprisingly good shape, and the Australian share market and currency has gotten cheaper lately, we are still vulnerable to further declines, whether they are triggered by a trade war, a US correction, or contagion from the emerging markets.

PERFORMANCE TABLES

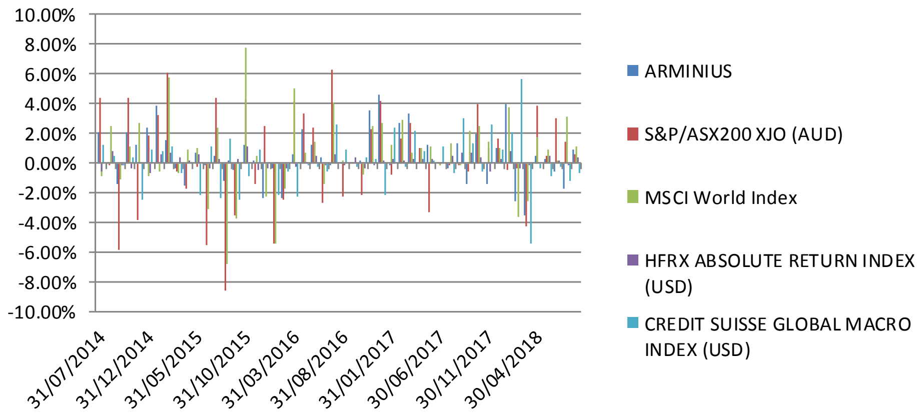
Exposure at month's end as % of NAV



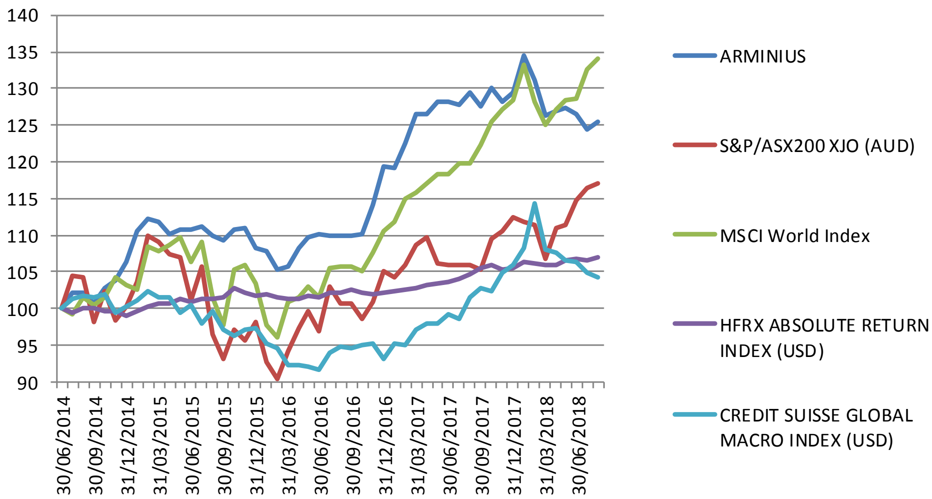
Monthly Asset Class average returns of individual constituents per SAA in domestic market currency



Monthly Performance since Inception July 2014



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



GLOBAL FINANCIAL MARKETS – MONTHLY DATA

EQUITIES	31-Jul-18	31-Aug-18	ROR
EUROPE			
Germany DAX (TR)	12805.5	12364.1	-3.45%
Switzerland SMI (PR)	9174.3	8973.6	-2.19%
STOXX Europe 600 (EUR)	391.6	382.3	-2.39%
FTSE 100	7748.8	7432.4	-4.08%
France CAC 40	5511.3	5406.9	-1.90%
FTSE MIB	22215.7	20269.5	-8.76%
Netherlands AEX	574.3	558.4	-2.76%
Belgium BEL 20	3899.0	3740.7	-4.06%
OMX Stockholm 30	1615.6	1658.2	2.63%
Norway Oslo All-Share	1017.7	1028.9	1.10%
Ireland ISEQ	6832.0	6773.9	-0.85%
Spain IBEX 35	9870.7	9399.1	-4.78%
Cyprus CSE General	75.9	73.7	-2.90%
AMERICAS			
S&P 500	2816.3	2901.5	3.03%
DJ 30 Industrials	25415.2	25964.8	2.16%
DJ 65 Composite Average	8548.0	8707.6	1.87%
NASDAQ Composite	7671.8	8109.5	5.71%
Russell 1000	1560.4	1610.7	3.23%
S&P TSX	16434.0	16262.9	-1.04%
Brazil Bovespa	79220.4	76677.5	-3.21%
Argentina Merval	29287.3	29293.5	0.02%
Mexico IPC	49698.0	49547.7	-0.30%
ASIA			
S&P ASX 200	6280.2	6319.5	0.63%
Nikkei 225	22553.7	22865.2	1.38%
Hang Seng	28583.0	27888.6	-2.43%
Korea KOSPI	2295.3	2322.9	1.20%
FTSE Strait Times	3319.9	3213.5	-3.20%
Taiwan TAIEX	11057.5	11063.9	0.06%
New Zealand NZX 50 (TR)	8922.1	9313.2	4.38%
Shanghai SSE Composite	2876.4	2725.3	-5.25%
China Shenzhen A Share	1648.2	1517.3	-7.94%
India S&P BSE SENSEX	37606.6	38645.1	2.76%
FTSE Bursa Malaysia KLCI	1784.3	1819.7	1.98%
Indonesia JSX	5936.4	6018.5	1.38%

COMMODITIES	31-Jul-18	31-Aug-18	ROR
Energy			
Crude Oil WTI (NYM $/bbl) Continuous	68.76	69.80	1.51%
Brent Crude (ICE $/bbl) Continuous	74.25	77.42	4.27%
NY Harbor ULSD (NYM $/gal) Continuous	2.14	2.24	4.95%
NY Harb RBOB (NYM $/gal) Continuous	2.08	2.00	-4.01%
Natural Gas (NYM $/btu) Continuous	2.78	2.92	4.82%
Precious Metals			
Gold (NYM $/ozt) Continuous	1233.60	1206.70	-2.18%
Silver (NYM $/ozt) Continuous	15.56	14.56	-6.44%
Industrial Metals			
Aluminum (LME Cash $/t)	2061.00	2112.00	2.47%
High Grade Copper (NYM $/lbs) Continuous	6213.00	6019.00	-3.12%
Nickel (LME Cash $/t)	13770.00	13010.00	-5.52%
Iron Ore 62% CN TSI (NYM $/mt)	64.35	67.16	4.37%
Zinc (LME Cash $/t)	2630.00	2504.00	-4.79%
Agricultural			
Corn (CBT $/bu) Continuous	3.87	3.65	-5.56%
Soybeans (CBT $/bu) Continuous	9.19	8.44	-8.22%
Wheat (CBT $/bu) Continuous	5.54	5.46	-1.49%
Cotton #2 (NYF $/lbs) Continuous	0.90	0.82	-8.23%
Sugar #11 (NYF $/lbs) Continuous	0.11	0.11	0.47%
Indices			
GS Commodity (CME) Continuous	465.10	468.70	0.77%
PowerShares DB Commodity Index Tracking Fund	17.25	17.38	0.75%
db x-trackers SICAV - db x-trackers DB COMMODITY BO	15.63	15.27	-2.30%

FOREIGN EXCHANGE	31-Jul-18	31-Aug-18	ROR
AUD/USD	0.744	0.718	-3.48%
EUR/USD	1.174	1.161	-1.09%
JPY/USD	111.483	110.902	-0.52%
GBP/USD	1.315	1.296	-1.41%
CHF/USD	1.014	1.033	1.84%
USD/CAD	0.770	0.766	-0.45%
EUR/GBP	0.893	0.896	0.32%
EUR/AUD	1.578	1.617	2.48%
USD/CHF	0.990	0.969	-2.14%
GBP/AUD	1.767	1.802	2.00%
CBOE Volatility Index	12.83	12.86	0.23%

10 YEAR SOVEREIGN YIELDS	30-Jul-18	31-Aug-18	Yield D
US	2.98%	2.85%	-0.13%
UK	1.34%	1.43%	0.09%
Europe	0.45%	0.33%	-0.12%
Australia	2.65%	2.52%	-0.13%
Belgium	0.75%	0.71%	-0.04%
Canada	2.30%	2.23%	-0.07%
Denmark	0.40%	0.30%	-0.10%
France	0.74%	0.69%	-0.05%
Germany	0.45%	0.33%	-0.12%
Greece	3.86%	4.36%	0.51%
Ireland	0.91%	0.86%	-0.05%
Italy	2.78%	3.22%	0.44%
Japan	0.11%	0.10%	-0.01%
Netherlands	0.54%	0.45%	-0.09%
New Zealand	2.73%	2.53%	-0.20%
Norway	1.88%	1.74%	-0.14%
Portugal	1.76%	1.92%	0.17%
Spain	1.41%	1.47%	0.06%
Sweden	0.61%	0.50%	-0.11%
Switzerland	0.03%	-0.07%	0.10%

ROR = Rate of Return
Yield D = Yield differential