



# MONTHLY PERFORMANCE REPORT

## August 2018

**GENERAL INFORMATION****Base Currency:** AUD**Entity Type:** Registered Managed Investment Scheme**PMs:** Marcel von Pfyffer (CIO)  
Neill Colledge**Launch date:** SEP 2016**Benchmark:** 0% (Absolute Return)**Fees:** 0.50%**Domicile:** Australia**Close of Financial Year:** 30<sup>th</sup> June**Unit Pricing:** Weekly**Distribution Frequency:** Quarterly**APIR:** EVO0003AU platforms  
EVO0002AU direct

The Fund returned +0.48% this month, building on the returns of 1.14% in June and 0.52% in July. Returns for the eight months of 2018 to date are +1.77%. The Fund is on track to meet its objective of an annual return between 2.5% and 3.5%.

Throughout this year the Fund's prospective cash generation has remained consistent: at 31 August the portfolio had a running yield exceeding 3.5% and a yield to maturity exceeding 4.5%.

PERFORMANCE (Inception NOV-2016)	Arminius Capital EMMA Fund
1 Month	0.48%
3 Months	2.15%
Calendar YTD	1.77%
1 Year	2.90%
3 Years	-
5 Years	-
<b>Since Inception SEP 2016</b>	<b>5.19%</b>

As the Fund's objective is to achieve an absolute return between 2.50% and 3.50% per annum, comparators of relative fixed income returns are not considered meaningful.

**Fund Responsible Entity:**

QUAY FUND SERVICES LTD

AFSL No. 494 886

ABN 84 616 465 671

Arminius Capital EMMA Fund (Inception SEP 2016) Returns are net of fees

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY
2016	-	-	-	-	-	-	INCEPTION =>		0.08%	0.12%	0.08%	0.09%	0.37%
2017	0.03%	0.09%	0.27%	0.29%	0.58%	0.28%	0.15%	0.14%	-0.04%	0.56%	0.07%	0.53%	2.98%
2018	0.28%	-0.45%	-0.45%	0.48%	-0.23%	1.14%	0.52%	0.48%					1.77%

**NAV:** \$10,951,873.61**Unit Price:** 1.0053**INVESTMENT MANAGER**Arminius Capital Management Pty  
Ltd AFSL 001244100 licensed by:  
Arminius Capital Advisory Pty Ltd  
AFSL 461307**DISTRIBUTION DETAILS**Arminius Capital Management  
Level 6, 10 Eagle St  
Brisbane City  
QLD 4000  
AUSTRALIA  
+61 7 3102 5775  
info@arminiuscapital.com.au

**FUND OBJECTIVES:** The Fund seeks to provide stable income with low volatility. To achieve this, Arminius monitors the short-term money market on a daily basis to source the highest yielding opportunities which are consistent with their requirements for safety (capital preservation) and liquidity. The investment manager uses financial and econometric modelling to assess the relative value of different fixed income securities which meet the Fund's investment requirements. The fund aims to provide an income return, before costs and tax, of 2.50-3.50% per annum.

**Top 10 Holdings**

ISSUER	% OF FUND
CROWN RESORTS LTD HYBRID 3-BBSW+5.00%	9.83%
BETASHARESCASHETF ETF UNITS	9.21%
NATIONAL AUST BANK CAP NOTE 3-BBSW+3.50%	5.96%
CHALLENGER LIMITED CNV PREF 3-BBSW+3.40%	5.91%
NATIONAL AUST BANK CNV PREF 3-BBSW+3.20%	5.90%
SUNCORP GROUP LTD CNV PREF 3-BBSW+3.4%	5.90%
COMMONWEALTH BANK CAP NOTE 3-BBSW+3.80%	5.89%
NATIONAL AUST BANK CNV PREF 3-BBSW+3.25%	5.87%
WESTPAC BANKING CORP CAP NOTE 3-BBSW+3.20%	5.83%
AUSTRALIAN UNITY LTD SIMPLE BOND 3-BBSW+2.80%	5.01%



## FUND MANAGER COMMENTARY

### INVESTMENT PERFORMANCE

The Fund returned +0.48% in July, building on the returns of 1.18% in June and 0.52% in July. Returns for the eight months of 2018 to date are +1.77%.

The Fund has recovered from the surprises which afflicted Australian fixed interest markets in the first half of this year. Throughout this year the Fund's prospective cash generation has remained consistent: at 31 August the portfolio had a running yield exceeding 3.5% and a yield to maturity exceeding 4.5%.

August was a quiet month for Australian fixed interest. Yields firmed in most major bond markets, the local economic news was positive, and futures markets suggest that the Reserve Bank will not raise interest rates before 2020.

The Fund is on track to meet its objective of an annual return between 2.5% and 3.5%. We expect that the Fund's modest negative returns in the first half of 2018 will be outweighed by positive returns for the remainder of the year, as we have seen in June, July, and August.

### PORTFOLIO COMPOSITION

At 31 August 2018 the portfolio included nineteen securities with weighted average maturity of 2.6 years. The portfolio had a running yield exceeding 3.5% and a yield to maturity exceeding 4.5%. Cash and cash equivalents amounted to 10% of the portfolio.

As always, all the securities in the portfolio are issued in Australian dollars by well-known, financially stable Australian groups, because the preservation of our investors' capital is of paramount importance to us. In addition, all but one of the securities held by EMMA are listed on the ASX, so as to provide maximum liquidity for any redemptions.

### INVESTMENT OUTLOOK

We continue to expect turbulence in global bond markets in coming months. Currency crises in Turkey and Argentina are symptoms of the difficult financial position of many economies in the developing world, similar to the Asian crisis of 1997-98. (The difference is that most of the countries involved in 1997-98 learned their lesson and will not be affected this time.) The combination of rising US interest rates, tighter US monetary policy, and a strong US dollar makes it harder to service – let alone repay – loans in US dollars. While Australian bonds are not in the firing line, they will certainly be buffeted by the turbulence overseas.

To minimise the effect of the coming turbulence, we have improved the credit quality of the portfolio by increasing the allocation to higher ranking securities such as the senior debt securities issued by Suncorp. (The Suncorp debt security is traded on the wholesale market, not the ASX.) We will continue this strategy when some of our holdings are redeemed by their issuers over the next few months, always focusing on the preservation of our investors' capital.

## Fund Updates

- Details of EMMA risks are included in the fund's PDS.
- 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 broker's proprietary reporting software. All other data is sourced from FACTSET.


**GLOBAL FINANCIAL MARKETS – MONTHLY DATA**

<b>EQUITIES</b>	31-Jul-18	31-Aug-18	<b>ROR</b>
<b>EUROPE</b>			
Germany DAX (TR)	12805.5	12364.06	<b>-3.45%</b>
Switzerland SMI (PR)	9174.33	8973.56	<b>-2.19%</b>
STOXX Europe 50 (EUR)	3165.21	3042.34	<b>-3.88%</b>
FTSE 100	7748.76	7432.42	<b>-4.08%</b>
France CAC 40	5511.3	5406.85	<b>-1.90%</b>
FTSE MIB	22215.69	20269.47	<b>-8.76%</b>
Netherlands AEX	574.25	558.42	<b>-2.76%</b>
Belgium BEL 20	3899.04	3740.71	<b>-4.06%</b>
OMX Stockholm 30	1615.5963	1658.1631	<b>2.63%</b>
Norway Oslo All-Share	1017.72	1028.91	<b>1.10%</b>
Ireland ISEQ	6831.98	6773.91	<b>-0.85%</b>
Spain IBEX 35	9870.7	9399.1	<b>-4.78%</b>
Cyprus CSE General	75.94	73.74	<b>-2.90%</b>
<b>AMERICAS</b>			
S&P 500	2816.29	2901.52	<b>3.03%</b>
DJ 30 Industrials	25415.19	25964.82	<b>2.16%</b>
DJ 65 Composite Average	8547.97	8707.55	<b>1.87%</b>
NASDAQ Composite	7671.789	8109.535	<b>5.71%</b>
Russell 1000	1560.36	1610.697	<b>3.23%</b>
S&P TSX	16434.01	16262.88	<b>-1.04%</b>
Brazil Bovespa	79220.43	76677.53	<b>-3.21%</b>
Argentina Merval	29287.34	29293.52	<b>0.02%</b>
Mexico IPC	49698.01	49547.68	<b>-0.30%</b>
<b>ASIA</b>			
S&P ASX 200	6280.2	6319.5	<b>0.63%</b>
Nikkei 225	22553.72	22865.15	<b>1.38%</b>
Hang Seng	28583.01	27888.55	<b>-2.43%</b>
Korea KOSPI	2295.26	2322.88	<b>1.20%</b>
FTSE Strait Times	3319.85	3213.48	<b>-3.20%</b>
Taiwan TAIEX	11057.51	11063.94	<b>0.06%</b>
New Zealand NZX 50 (TR)	8922.09	9313.2	<b>4.38%</b>
China Shenzhen A Share	1648.18	1517.3445	<b>-7.94%</b>
India S&P BSE SENSEX	37606.58	38645.07	<b>2.76%</b>
FTSE Bursa Malaysia KLCI	1784.25	1819.66	<b>1.98%</b>
Indonesia JSX	5936.443	6018.46	<b>1.38%</b>
<b>FOREIGN EXCHANGE</b>			
AUD/USD	0.744	0.718	<b>-3.48%</b>
EUR/USD	1.174	1.161	<b>-1.09%</b>
JPY/USD	111.483	110.902	<b>-0.52%</b>
GBP/USD	1.315	1.296	<b>-1.41%</b>
CHF/USD	1.014	1.033	<b>1.84%</b>
USD/CAD	0.770	0.766	<b>-0.45%</b>
EUR/GBP	0.893	0.896	<b>0.32%</b>
AUD/EUR	1.578	1.617	<b>2.48%</b>
USD/CHF	0.990	0.969	<b>-2.14%</b>
GBP/AUD	1.767	1.802	<b>2.00%</b>
CBOE Volatility Index	12.83	12.86	<b>0.23%</b>

ROR = Rate of Return  
Yield D = Yield differential

<b>COMMODITIES</b>	31-Jul-18	31-Aug-18	<b>ROR</b>
<b>Energy</b>			
Crude Oil WTI (NYM \$/bbl) Continuous	68.76	69.80	<b>1.51%</b>
Brent Crude (ICE \$/bbl) Continuous	74.25	77.42	<b>4.27%</b>
NY Harbor ULSD (NYM \$/gal) Continuous	2.14	2.24	<b>4.95%</b>
NY Harb RBOB (NYM \$/gal) Continuous	2.08	2.00	<b>-4.01%</b>
Natural Gas (NYM \$/btu) Continuous	2.78	2.92	<b>4.82%</b>
<b>Precious Metals</b>			
Gold (NYM \$/ozt) Continuous	1233.60	1206.70	<b>-2.18%</b>
Silver (NYM \$/ozt) Continuous	15.56	14.56	<b>-6.44%</b>
<b>Industrial Metals</b>			
Aluminum (LME Cash \$/t)	2061.00	2112.00	<b>2.47%</b>
High Grade Copper (NYM \$/lbs) Continuous	6213.00	6019.00	<b>-3.12%</b>
Nickel (LME Cash \$/t)	13770.00	13010.00	<b>-5.52%</b>
Iron Ore 62% CN TSI (NYM \$/mt)	64.35	67.16	<b>4.37%</b>
Zinc (LME Cash \$/t)	2630.00	2504.00	<b>-4.79%</b>
<b>Agricultural</b>			
Corn (CBT \$/bu) Continuous	3.87	3.65	<b>-5.56%</b>
Soybeans (CBT \$/bu) Continuous	9.19	8.44	<b>-8.22%</b>
Wheat (CBT \$/bu) Continuous	5.54	5.46	<b>-1.49%</b>
Cotton #2 (NYF \$/lbs) Continuous	0.90	0.82	<b>-8.23%</b>
Sugar #11 (NYF \$/lbs) Continuous	0.11	0.11	<b>0.47%</b>
<b>Indices</b>			
GS Commodity (CME) Continuous	465.10	468.70	<b>0.77%</b>
PowerShares DB Commodity Index Tracking Fund	17.25	17.38	<b>0.75%</b>
db x-trackers SICAV - db x-trackers DB COMMODITY BO	15.63	15.27	<b>-2.30%</b>
<b>10 YEAR SOVEREIGN YIELDS</b>			
US	2.98%	2.85%	<b>-0.13%</b>
UK	1.34%	1.43%	<b>0.09%</b>
Europe	0.45%	0.33%	<b>-0.12%</b>
Australia	2.65%	2.52%	<b>-0.13%</b>
Belgium	0.75%	0.71%	<b>-0.04%</b>
Canada	2.30%	2.23%	<b>-0.07%</b>
Denmark	0.40%	0.30%	<b>-0.10%</b>
France	0.74%	0.69%	<b>-0.05%</b>
Germany	0.45%	0.33%	<b>-0.12%</b>
Greece	3.86%	4.36%	<b>0.51%</b>
Ireland	0.91%	0.86%	<b>-0.05%</b>
Italy	2.78%	3.22%	<b>0.44%</b>
Japan	0.11%	0.10%	<b>-0.01%</b>
Netherlands	0.54%	0.45%	<b>-0.09%</b>
New Zealand	2.73%	2.53%	<b>-0.20%</b>
Norway	1.88%	1.74%	<b>-0.14%</b>
Portugal	1.76%	1.92%	<b>0.17%</b>
Spain	1.41%	1.47%	<b>0.06%</b>
Sweden	0.61%	0.50%	<b>-0.11%</b>
Switzerland	0.03%	-0.07%	<b>0.10%</b>

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