# MONTHLY PERFORMANCE REPORT
# October 2018

The Fund returned -3.93% for the month, compared with -6.08% for ASX200. The HFRX Absolute Return Index returned -0.11% for the month while the MSCI World Index lost -6.88%.

Our stance is negative towards US equities; mostly negative on Australia; negative on Europe & 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 appreciating 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 | MSCI World Index | S&P/ASX200 XJO (AUD) |
|---|---|---|---|---|---|
| 1 Month | **-3.93%** | -0.11% | 1.00% | -6.88% | -6.08% |
| 3 Months | **-4.98%** | -0.10% | -0.92% | -5.29% | -7.16% |
| Calendar YTD | **-9.22%** | 0.89% | -1.83% | -2.21% | -3.87% |
| 1 Year | **-9.56%** | 0.59% | 1.66% | 0.16% | -1.33% |
| **Cumulative Since Inception NOV 2016** | **-1.72%** | **4.35%** | **9.49%** | **19.59%** | **9.64%** |

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% | -0.58% | -1.80% | 0.87% | -1.95% | -3.93% | | | -9.22% |

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).

**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:** Quay Fund Services Ltd AFSL No. 494 886 ABN 84 616 465 671

**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: $ 13,506,095.12**

**Unit Price: 0.8805**

**INVESTMENT MANAGER**
Arminius Capital Management Pty Ltd AFSR 001244100 licensed by: Arminius Capital Advisory Pty Ltd AFSL 461307

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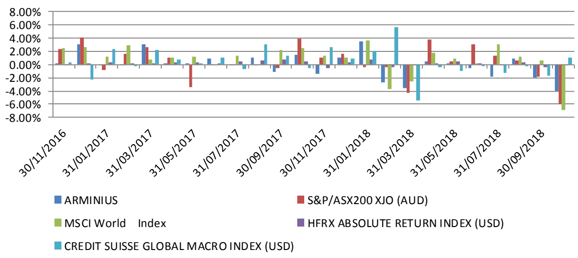
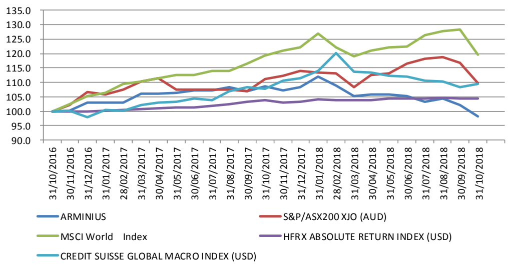
**FUND OBJECTIVES:** The Arminius Capital GMMA Fund invests by purchasing units in an underlying wholesale hedge fund, being the "**Arminius Capital ALPS Fund**", which provides investors with exposure to all asset classes in the global macro universe. As such, there may be some degree of difference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

## Monthly Performance since Inception November 2016




## Cumulative Performance since Inception (Base 100 = 31 October 2016)



**FUND MANAGER'S COMMENTARY:**

***IN THE COMMENTARY TO FOLLOW, ALL DATA REFERENCES TO POSITIONS, HOLDINGS, WEIGHTINGS OR EXPOSURE ARE DATA OF THE UNDERLYING ARMINIUS CAPITAL ALPS FUND INTO WHICH THE ARMINIUS CAPITAL GMMA FUND INVESTS.***

This month as world stock markets fell -6.88%, our fund fell -3.93%. The HFRX returned -0.11% for September. We compare our fund's returns to both the HFRX Absolute Return index and the Credit Suisse Global Macro ('CSGM') Index because they are proximate equivalent comparators to our fund's investing strategy style, modelling methodology, low volatility metrics and above all else, capital preservation mandate. Since inception, the underlying ALPS fund has returned +18.18% vs HFRX +6.52% vs CSGM +3.97%.

October 2018 was the month when the correction finally arrived in global share markets. The S&P/ASX200 was one of the better performers, falling only -6.08%. The US S&P500 dropped -6.94%, the Hong Kong Hang Seng index plunged -10.11%, and China's Shenzhen dived -10.22%. Markets that were already cheaper (read as, had been falling all year already), fell less: the Euro Stoxx 600 dipped -5.63%, and Japan's Nikkei slumped -9.12%. Europe is down now -7.08% YTD and Hong Kong -16.51% YTD. China's 2018 has been brutal, down -31.88% YTD. Almost all major markets are now in the red for 2018.

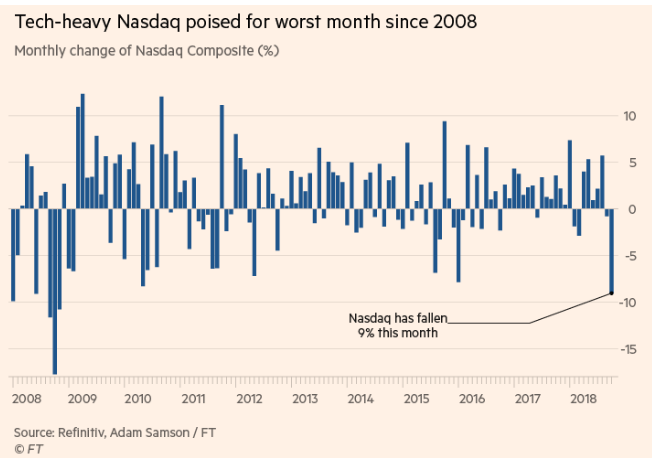
Along with many other fund managers, Arminius has been warning of a correction for some months. The GMMA fund lost only -3.93%, less than the US, European, Japanese or Australian markets which it mainly invests in. We are not alone in our dire prognosis, the GMO team in Boston managing US$70 billion says equities are still some 50-60% overvalued. GMO foresaw the GFC.

October has seen the S&P500 lose approximately $2 Trillion of market capitalisation, with the broader US equities market losing approx. $2.8 Trillion. When combined with other global markets, October has seen some USD$5.5 Trillion wiped off global equities.

The immediate cause of the correction was negative reactions to the third-quarter results of the big US tech stocks, which triggered falls of more than -10%. Investors have developed several worries about the tech sector: for example, that it will be subject to tighter regulation, that revenue growth is slowing, that revenue growth is requiring more and more to be spent on marketing and capex, that rates of cash burn are increasing, etc.

In short, the US market was led downward by the tech sector, in the same way as the tech sector led the market up since the GFC. By the September peak in the S&P500, the tech sector had grown to account for 25% of the S&P500. In fact, six stocks – Facebook, Apple, Amazon, Netflix, Microsoft, and Google – accounted for more than one-third of the total rise in the S&P500 since 2013. Much the same is true in China, where the three biggest tech stocks – Baidu, Alibaba, and Tencent – have fallen by 35% this year.

CHART 1. NASDAQ WORST MONTH SINCE 2008

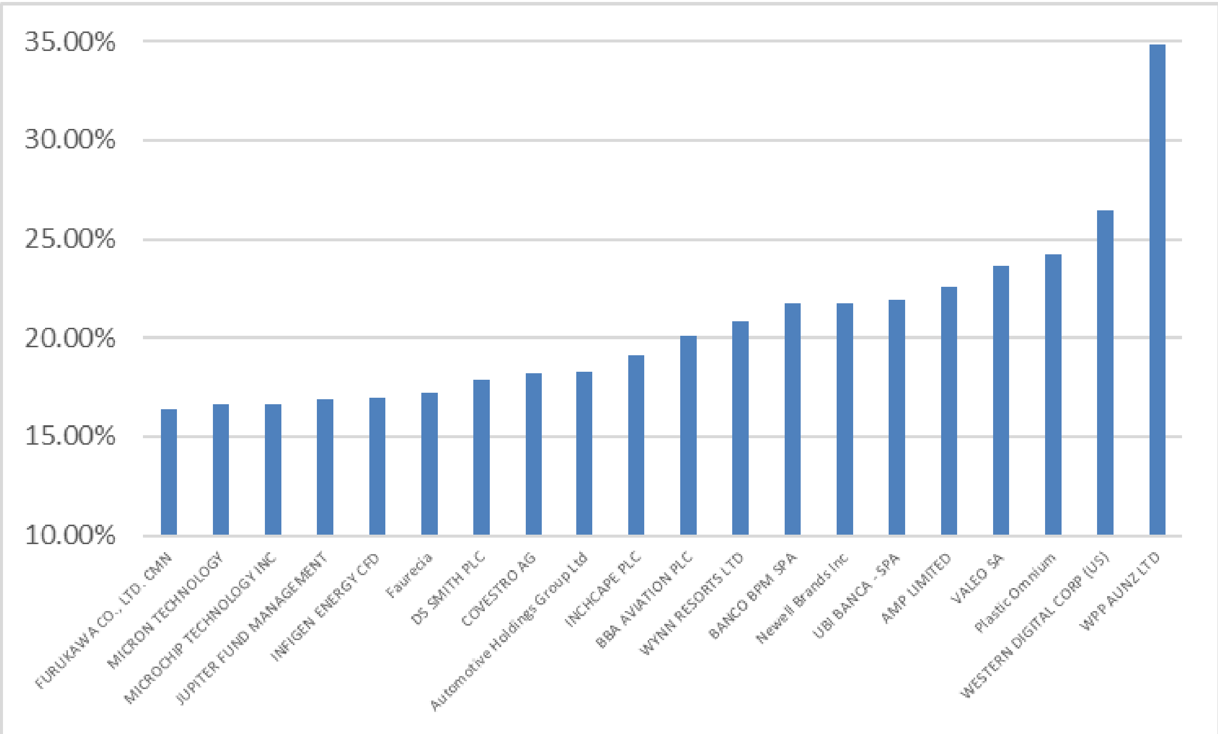


Amongst other articles we have written in the past month on our website [http://arminiuscapital.com.au/geld-zug-commentaries/](http://arminiuscapital.com.au/geld-zug-commentaries/), notably "When The Bear Trips, How Hard Does It Fall", cites what our calculations are for further expected falls for the S&P500, and therefore other global stock indices in tandem. If we assume that the tech stocks in the S&P500 will fall by -44% from their recent peaks, that implies an -11% fall in the S&P500. This assumes of course that the other 75% of the S&P500 doesn't move, which would be a marvel to behold. If we assume the other 75% of the S&P500 falls by only 21%, that implies a 16% fall in the index (other things being equal). Putting these two calculations together we get a total fall of 27% from peak to trough. The S&P500 has already fallen -6.94% in the last month (-8.8% at its worst point), leaving room for another -20% downside, provided that our calculations are not too optimistic.

**WHAT TURNED OUT WELL FOR THE FUND THIS MONTH?**

By the month's end, some 48 of the fund's positions had individual returns between +10% to +34%. The fund's 20 best performing positions (all are shorts) can be seen in the chart below:

CHART 2. FUND'S BEST PERFORMING POSITIONS




***What turned out well for the fund this month?***

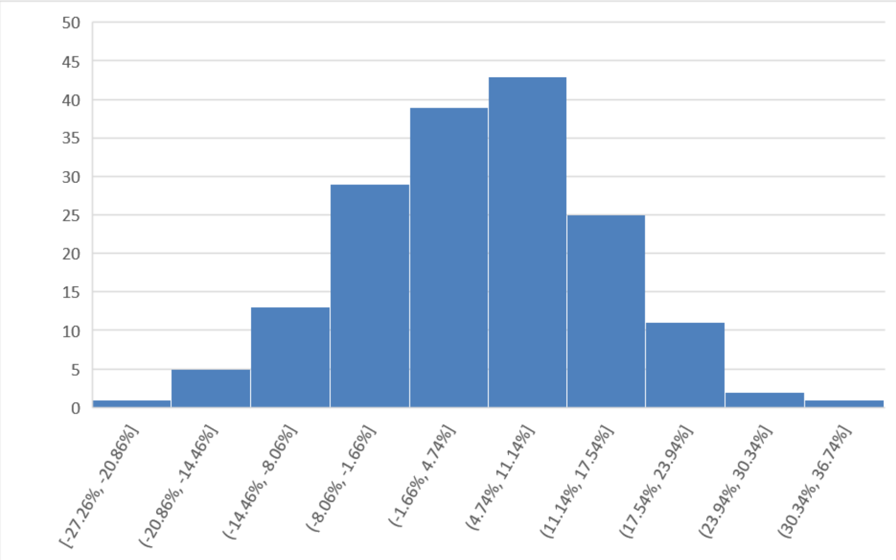
- *The fund successfully shorted a large number of international equities, with 68% of the positions held open at the end of the month generating a positive return. The Top 20 best performing positions in the fund averaged 20.62% (all shorts).*
- *The currency exposure (instruments held not denominated in AUD) in October was beneficial to the fund.*

**WHAT TURNED OUT POORLY FOR THE FUND THIS MONTH**

The fund lost money in October. Despite falling by about half of what global markets fell, the distribution of returns as demonstrated by the histogram of Chart 3 on the next page, shows the individual % return ranges for each individual position in the fund.

In October, the quantum (amount of exposure) of positions that lost money were greater than the exposure of the winning positions. So despite having more positive individual positions return percentages (68% of the fund's positions had a positive return, ranging between +0.62% and +34.88%) the dollar amount of exposure that the remaining 32% of the fund's individual losing positions' attribution, was larger than the winners' dollars exposure.

CHART 3. HISTOGRAM OF INDIVIDUAL FUND POSITIONS' MONTHLY RETURNS



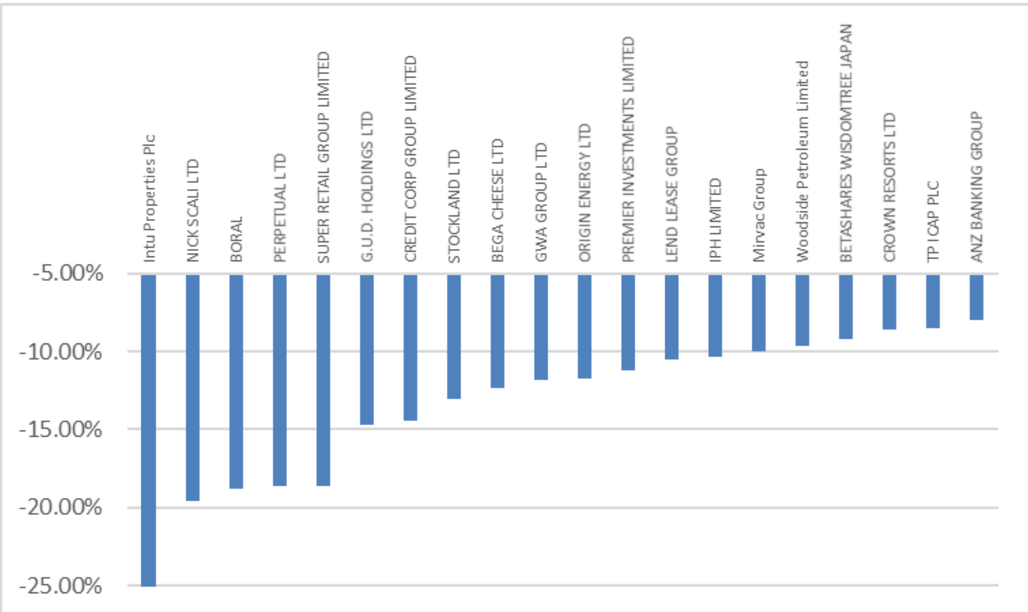

***What turned out poorly for the fund this month***

- *The size of the exposure of our long Australian equities positions put the fund into a negative return for October.*

**WHERE WERE THESE LOSSES AND WERE THEY CONCENTRATED?**

The material dollar amount losses were predominantly from long Australian equity positions. The largest two losing positions (-27% and -19% return) only represented 0.1% each of the fund's exposure. The fund systematically selected the other Australian equities long positions in the chart below because our models did not indicate that these stocks were statistically expensive. By the month's end, some 14 of the fund's positions had returns between -10% to -27%. The 20 worst performing positions are below (long & short):

CHART 4. FUND'S WORST PERFORMING POSITIONS



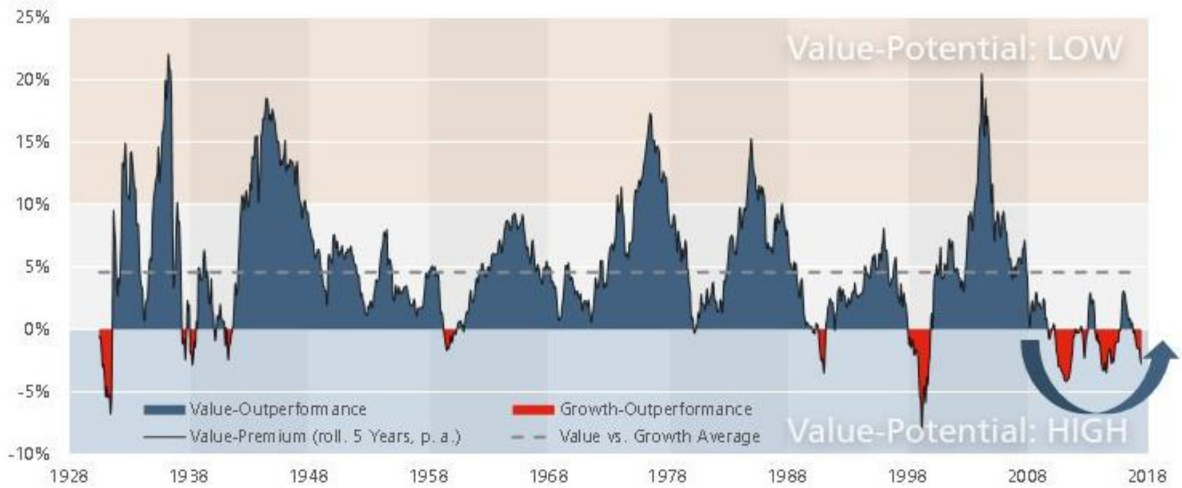
***Where were these losses and were they concentrated?***

- *The largest quantum of losses were in Australian equities and they were concentrated positions.*

Investors have spoken to us this month about why, when we correctly foresaw a US equities market correction, did we have some long exposure to Australian equities. Markets (and stocks) can, somewhat confusingly, be simultaneously undervalued and yet fall in price, just as they can at times also be expensive and rise in price.

This is the paradox of the equities markets of recent times – as, essentially, a value manager, we know that much of the world ex-US is undervalued and yet has in recent times fallen and continues to fall. The US is demonstrably expensive on a number of metrics and yet, has continued to rise. The below chart puts this into context as why value as an investment style has suffered greatly in recent times.

CHART 5. VALUE VS GROWTH




The chart displays the annualized rolling 5 year premiums of a portfolio that is long in value stocks and short in growth stocks. For instance, a value of +5% means that value stocks outperformed growth stocks by 5% per year over 5 years. Own compilation based on the HML-factor from the Kenneth R. French - Data Library (http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html) and StarCapital as of June 2018.

*Source: Star Capital*

To further illustrate the point as to why we did have long holdings of some fundamentally sound, dividend paying, Australian equities in October, we show 3 graphs below pertaining to Shiller's CAPE[i] (Cyclically Adjusted P/E) valuation metric and stock market returns in recent times.

The first two graphs plot the CAPE ratio vs country stock market returns since 1999 to current day. The first, Chart 6, a scattergram, shows that the US currently has both the best global equity market return since 2009, yet also is the world's most overvalued equity market.

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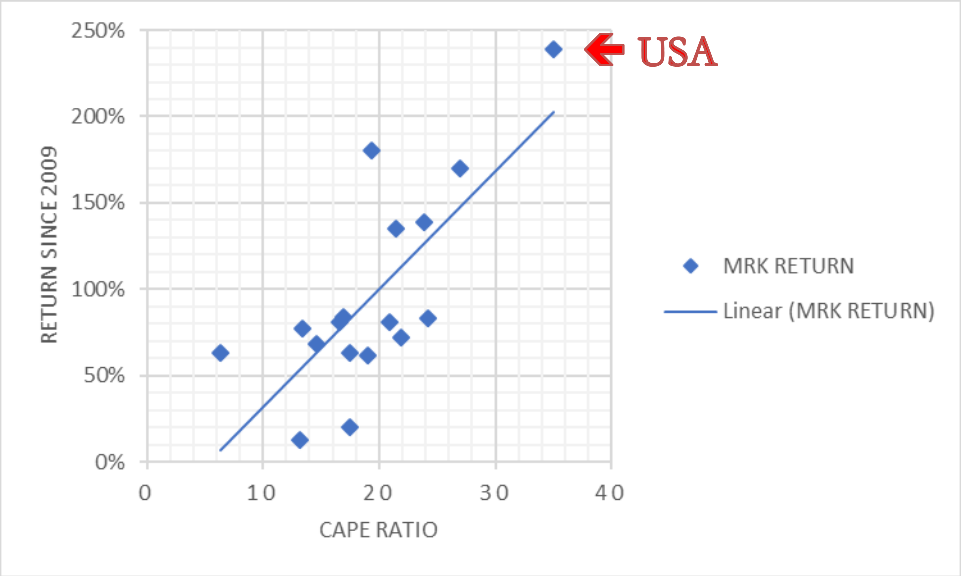
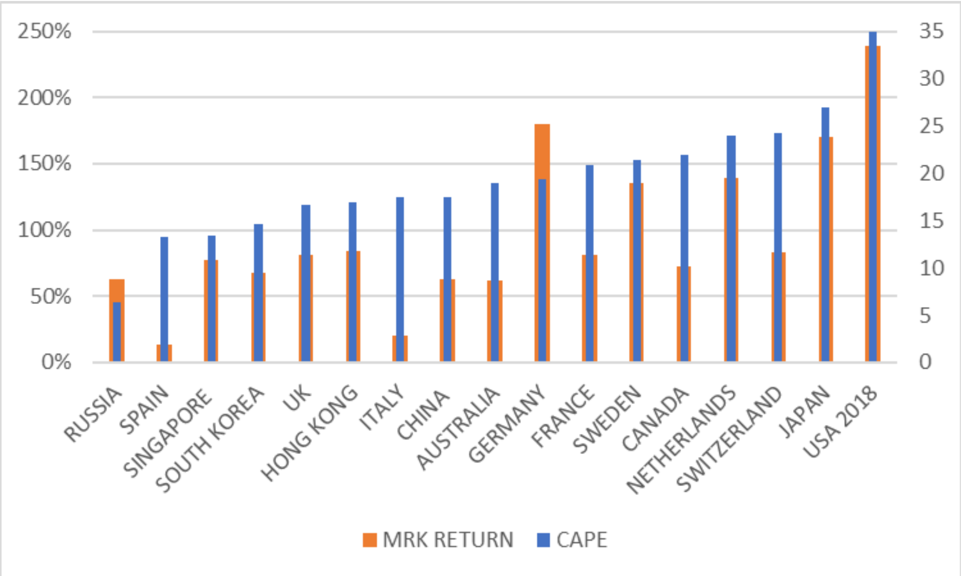
CHART 6. SCATTERGRAM OF SELECT COUNTRY CAPE RATIOS VS ROLLING 10 YEAR RETURNS




*Source: Arminius Capital, FactSet, Star Capital*

Chart 7 below uses the same data points from Chart 6, but shows the returns of the country's stock markets since 2009 on the left-hand side axis. On the right-hand side axis is the CAPE ratio.

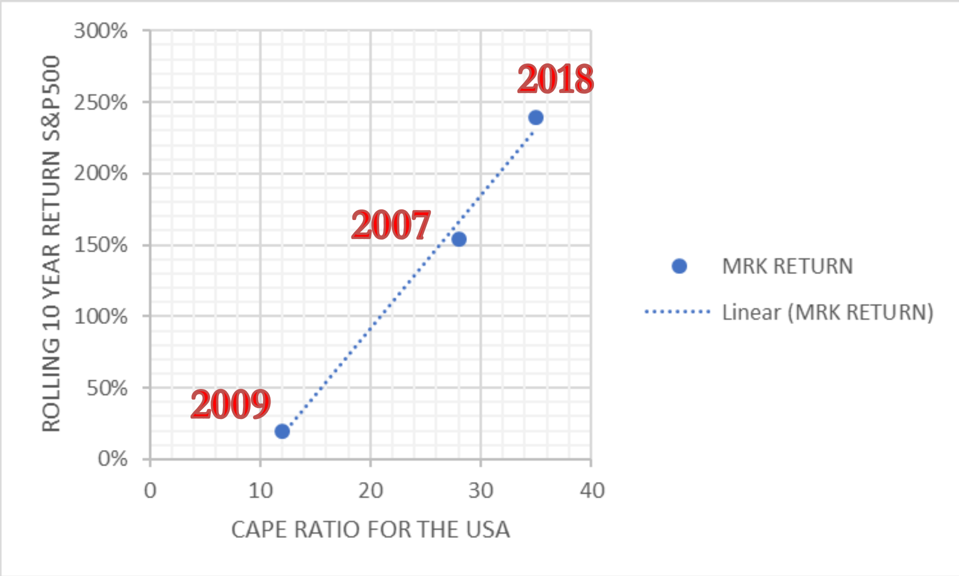
CHART 7. SELECT COUNTRY CAPE RATIOS VS ROLLING 10 YEAR RETURNS




*Source: Arminius Capital, FactSet, Star Capital*

Chart 8 on the following page shows the obvious – but often delayed, as CAPE is not famous for its timing ability to pick market corrections – effect of having a high CAPE ratio. It also demonstrates that where US CAPE has been in 2018 should be viewed very seriously in context as to what happened to US equity market returns the last time the CAPE ratio was even approaching this current high level.

CHART 8. US CAPE RATIOS VS ROLLING 10 YEAR RETURNS FOR 3 SELECT YEARS




*Source: Arminius Capital, FactSet, Star Capital*

The above chart has the 3 following scattergram points:

- In 2007, CAPE was 28. At that point in time, US equities had returned +154% in 10 years
- In 2009, CAPE was 12. At that point in time, US equities had returned +20% in 10 years
- In 2018 CAPE hit 35. At that point in time, US equities had returned +239% in 10 years

Australian CAPE data is 19[ii] which places it **relatively speaking** in the middle of the data samples. Australia is not as expensive as the US (we remind investors we successfully shorted US equities at the end of January 2018, while not shorting Australian equities in January as our models did not consider them expensive). Hence although we **qualitatively** appreciate (the two principals of Arminius Capital have over 6 decades of experience between them) that a correction in US equities will **almost** always lead to corrections in other global equity markets, this emotive appreciation alone is not a statistically acceptable "signal" to follow in making trades for a **quantitative systematic** fund.

CHART 9. US AVERAGE HOURLY EARNINGS


But there is more to the October 2018 correction than investor disappointment with tech stocks. Management commentary on the US third-quarter results made it clear that many industries are struggling with rising input costs, supply chain blockages, and labour shortages. Chart 9 shows the sharp acceleration in the growth rate of average hourly earnings for key categories of unskilled labour this year. The bond market is increasingly worried that inflation may be rearing its ugly head again.

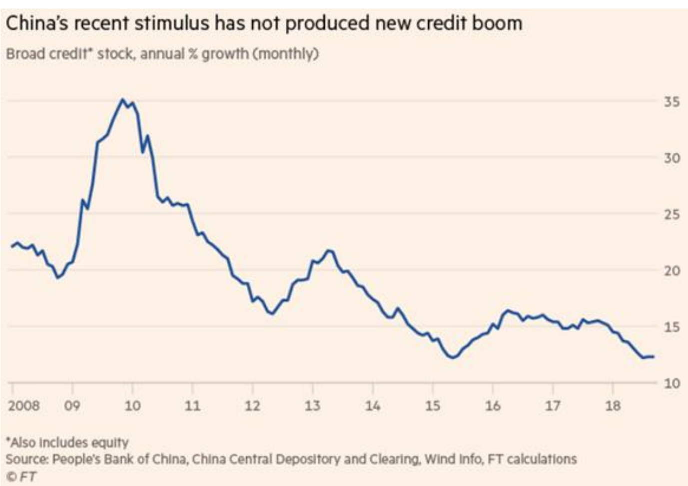
Bond markets are bigger and smarter than equity markets, and they have been getting more and more nervous this year. Bond investors are well aware that global liquidity is tightening, as the US Federal Reserve raises official cash rates and shrinks its balance sheet. The US federal funds rate is now at 2.25%, and futures markets agree with the Federal Reserve Board's prediction that the rate will be 3.0% or more in a year's time. Most importantly, the real (i.e. after inflation) yield on the US 10-year government bond just keeps going up and up, and this will eventually lift both US and global borrowing costs.

CHART 10. REAL US 10 YEAR SOVEREIGN BOND YIELDS


Then there is China. In October the Chinese authorities replicated their act from August 2015. Three years on, in October Chinese Vice Premier Liu He and other heads of the central bank, securities watchdog and banking regulator, made extraordinary attempts to calm China's stock market after the government reported its lowest quarterly year-on-year rate of economic growth in a decade.[iii] The Chinese stock market is now well into official bear market territory having fallen -31.88% in calendar 2018.

Recent economic data suggest that the Chinese economy was slowing down even before The Donald started his trade war. Policies aimed at shrinking the shadow banking sector and reducing the debt to GDP ratio have been effective, but one of their consequences is a reduction in the availability to credit (especially to small and medium private businesses), as Chart 11 below shows.

CHART 11. CHINESE BROAD CREDIT

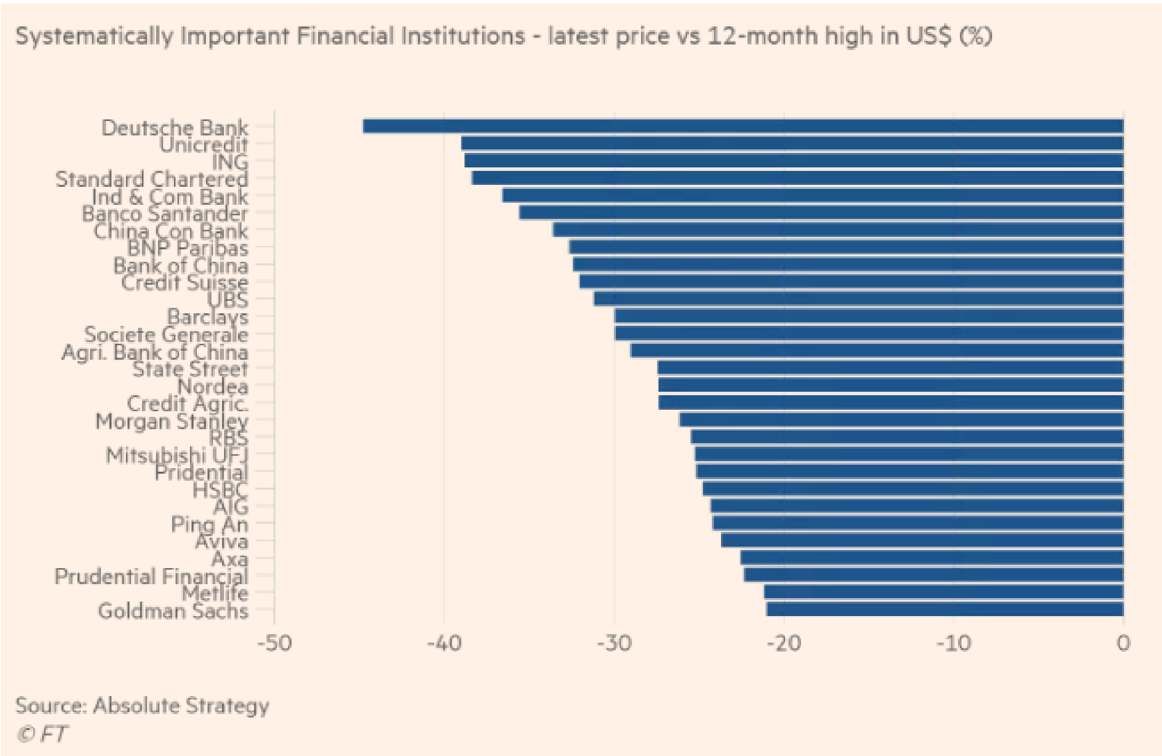



The Chinese government has introduced countermeasures which are designed to protect the industries most affected by the new US tariffs, but in addition to damaging business confidence, the trade war has also encouraged capital flight from China. China's foreign exchange reserves fell to an 18-month low in October, and the renminbi is in danger of breaching the psychologically important level of 7.0 renminbi to the US dollar.

CHART 12. CHINESE FOREIGN EXCHANGE RESERVES


For us, one of the most worrying signals is this year's collapse in the share prices of the world's biggest banks. These have been labelled "systemically important financial institutions" (SIFIs) since the GFC, because the GFC taught us that major bank collapses can trigger credit crises and recessions in most countries.

CHART 13. GLOBAL SIFI INSTITUTIONS




***Disclosure: Arminius Capital has physical short positions in Unicredit, ING, Standard Chartered, Credit Suisse, UBS, HSBC.***

The chart above shows how far SIFI share prices have dropped in 2018. Most of these falls occurred before the October correction. The list is headed by the perennial losers (e.g. Deutsche Bank) and some political victims (e.g. Unicredit in Italy), but it is filled with the world's biggest banks and life insurers. What is most surprising is the presence of US giants such as Goldman Sachs, Morgan Stanley, Prudential, and State Street, whose profits have been boosted by the Trump tax cuts and the surging US economy. These falls in big bank share prices suggest that many large investors share our concerns that the world economy is about to get a lot worse before it gets better.

**MAKING POSITIVE RETURNS OVER TIME, NOT JUST "LOSING LESS"**

Absolute return hedge funds attempt to make money over certain time horizons, not just lose less than the market. These time horizons of comparison however are never measured in weeks let alone months or even quarters; the strategies can sometimes take time to come to evidenced fruition. Referring back briefly to the red areas in Chart 5 on Value vs Growth, we provide investors of 2 industry examples of value vs growth, with, despite extended periods of underperformance, **value winning in the long run**.

- Quant funds lost between -5% to -10% in 2006 whilst being incorrectly & unfairly compared to long only equity funds, as US equities had generated returns of +64% between March 2003 and March 2008. The media loves cherry picking (i) time frame comparisons (ii) comparator benchmarks. Then, as 2007/08 rolled out and the GFC hit hard, global stock markets lost ~50% whilst the quant funds (running strategies like ours) generated positive double-digit % returns. Funds such as AQR, Winton Capital & Renaissance who had lived in the shadows became legends and now managed double & triple-digit billions of dollars.
- Julian Robertson ran Tiger Management, the famed value manager in the 1990s who refused to participate (buy stocks in his fund) in the tech boom. His returns paled into insignificance beside the NASDAQ rally of the late 1990s, to the point where he tired of people telling him "value was dead and tech growth is the future", so in March 2000, he closed his fund and turned his own capital and that of a faithful few investors, into what was essentially a "family office". In a letter to investors he wrote, ***"…the key to Tiger's success over the years has been a steady commitment to buying the best stocks and shorting the worst. In a rational environment, this strategy functions well. But in an irrational market, where earnings and price considerations take a back seat to mouse clicks and momentum, such logic, as we have learned, does not count for much. The current technology, Internet and telecom craze, fuelled by the performance desires of investors, money managers and even financial buyers, is unwittingly creating a Ponzi pyramid destined for collapse. I have great faith though that, this, too, will pass***." [iv]

By the end of 2001, just **one year after he closed his fund**, the NASDAQ fell -78% (negative seventy-eight percent) from its high, in the worst stock market crash since 1987.

Julian started Tiger in 1980 with $8.8 million in funds under management. At last count in December 2017 he is now personally worth $4.1 billion.

***Making positive returns over time, not just "losing less"***

- *Hedge funds will not always have a positive month every time the markets have a negative month*
- *Hedge funds will not have positive months every month; returns are not linear like a term deposit or property rent*
- *Hedge fund strategies perform differently in different market cycles (value vs growth vs ponzi markets vs QE) but over the long term their returns are less volatile.*
- *Hedge funds aim to make positive returns over a period of time that is a reasonable investment time horizon ie. not measured in months.*

**HAS OCTOBER 2018 BEEN AN OUTLIER? A STATISTICAL ANOMALY?**

For our fund, yes. For equity markets, not so much.

Our return for the month of October is our worst since our fund's inception in July 2014. We have also, running our funds strategy since 2014, never lost money in a calendar year so far. 2018 is looking as if it will be our first down year.

In the same time period since our fund has been in operation, the worst month the ASX200 has had was in August 2015 when it fell -8.64% (we fell -1.23% that month). Our worst month has been this month, -3.90%, when the ASX200 fell -6.08%. With the obvious observational caveat that even a 4.3 year track record sample size is not large, nevertheless we have experienced a return of less than -3% in a month, in only 3.85% of the fund's life. Only 2 months out of 52 months in the fund's life have been between a -3% and -4% loss range, with -3.9% being the largest loss.

CHART 14. FUND DISTRIBUTION OF MONTHLY RETURNS

| Monthly % return bands of the Fund since 07/2014 | Frequency | # months of x% return or WORSE | % of the time an x% return or WORSE | 1 month every "x" years |
|---|---|---|---|---|
| [-4, -3) | 2 | 2 | 3.85% | 2.2 |
| [-3, -2) | 3 | 5 | 9.62% | 1.4 |
| [-2, -1) | 7 | 12 | 23.08% | 0.6 |
| [-1, 0) | 8 | 20 | 38.46% | 0.5 |
| [0, 1) | 14 | 34 | 65.38% | 0.3 |
| [1, 2) | 8 | 42 | 80.77% | 0.5 |
| [2, 3) | 5 | 47 | 90.38% | 0.9 |
| [3, 4) | 4 | 51 | 98.08% | 1.1 |
| [4, 5) | 1 | 52 | 100.00% | 4.3 |
| # Months | 52 | | | |
| Years | 4.3 | | | |

*Source: Arminius Capital*

Contrast this with the S&P500 (data goes back to 1951) and a monthly return loss of -4% or WORSE has occurred 11% of the time ie. in 94 out of 826 months; every 1.6 years you have a month where US equities have returned -4% or WORSE.

The S&P500 has also experienced a number of months with returns in the high double digits (a good October in 1974 generated a +16.3% return), however since 1951, **monthly returns** for US equities have been **negative** over **40% of the time**.

CHART 15. S&P500 DISTRIBUTION OF MONTHLY RETURNS 1951-2018

| Monthly % return bands of the S&P500 since 1951 | Frequency | # months of x% return or worse | % of the time an x% return or worse | 1 EVERY "x" YEARS |
|---|---|---|---|---|
| [-22, -20) | 1 | 1 | 0.12% | 68.8 |
| [-18, -16) | 1 | 2 | 0.24% | 68.8 |
| [-16, -14) | 1 | 3 | 0.36% | 68.8 |
| [-12, -10) | 5 | 8 | 0.97% | 13.8 |
| [-10, -8) | 16 | 24 | 2.91% | 4.3 |
| [-8, -6) | 27 | 51 | 6.17% | 2.5 |
| [-6, -4) | 43 | 94 | 11.38% | 1.6 |
| [-4, -2) | 88 | 182 | 22.03% | 0.8 |
| [-2, 0) | 151 | 333 | 40.31% | 0.5 |
| [0, 2) | 187 | 520 | 62.95% | 0.4 |
| [2, 4) | 148 | 668 | 80.87% | 0.5 |
| [4, 6) | 100 | 768 | 92.98% | 0.7 |
| [6, 8) | 31 | 799 | 96.73% | 2.2 |
| [8, 10) | 16 | 815 | 98.67% | 4.3 |
| [10, 12) | 8 | 823 | 99.64% | 8.6 |
| [12, 14) | 2 | 825 | 99.88% | 34.4 |
| [16, 18) | 1 | 826 | 100.00% | 68.8 |
| # Months | 826 | | | |
| Years | 68.8 | | | |

*Source: Arminius Capital, Factset*

***Has October 2018 been an outlier? A statistical anomaly?***

- *Yes, October 2018 was an anomaly for **our fund**, relative to our 4.3 year performance track record.*
- *No, October 2018 was statistically considered a **normal** event **for global stock markets**, and actually fell less than August 2015 (ASX200 fell -8.64%) and commensurate to September 2014 (ASX200 fell -5.92%), June 2015 (ASX200 fell -5.51%), or January 2016 (ASX200 fell -5.48%). 2017 was an atypical year when there were no large falls due to market volatility (VIX) averaging 11.05 across the 12 months of 2017. That placed market volatility at almost 50% below its long term historical average for the entire year (the VIX average from 1991 to December 2017 was 19.0023).*

## HOW IS EVERYONE ELSE DOING IN THE GLOBAL MACRO SPACE?

The Societe Generale CTA Mutual Fund index [v] is down -8.05% YTD for calendar 2018. We are down by some -8.72%. This index is comprised of peer names which will be no doubt familiar to many of our investors. We will have performed worse than some of them, and better than some of them.

Amongst them are a number of fund managers with triple digit Billions of dollars under management who also (i) have lock up clauses – you must leave your money with them for x years (ii) charge far more than we do (iii) have minimum investment amounts that often are in the double digit million arena.

We do not seek to actively compare ourselves to competitors, but it is academically beneficial to see how similar investment strategies and styles behave in a particular sub-optimal environment.

We are writing an article further on this topic this month regarding how quant strategies have performed so far in 2018, but until then, please reference Chart 16.

CHART 16. SOCIETE GENERALE CTA MUTUAL FUND INDEX & CONSTITUENT FUNDS

| Index | Date | Return | MTD | YTD |
|---|---|---|---|---|
| **SG CTA Mutual Fund Index** | Nov 09, 2018 | **0.59%** | **-2.09%** | **-8.05%** |

- **AQR Managed Futures Strategy I (AQMIX)**
- **Natixis ASG Managed Futures Strategy Y (ASFYX)**
- **LoCorr Market Trend I (LOTIX)**
- **American Beacon AHL Managed Futures Strategy I (AHLIX)**
- **Longboard Managed Futures Strategy I (WAVIX)**
- **Equinox Campbell Strategy I (EBSIX)**
- **PIMCO TRENDS Managed Futures Strategy I (PQTIX)**
- **Credit Suisse Managed Futures Strategy I (CSAIX)**
- **Goldman Sachs Managed Futures Strategy I (GMSSX)**
- **Aspen Managed Futures Strategy I (MFBTX)**

***How is everyone else doing in the global macro space?***

- *Very poorly.*

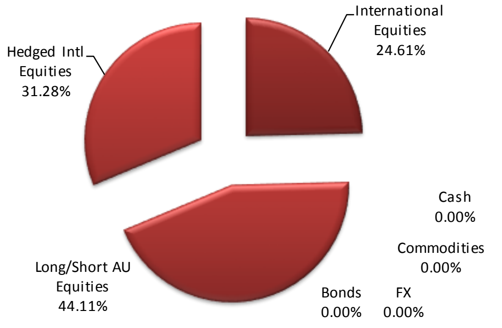
Despite October 2018 being disappointing, we observe that no institutional investor will invest in a time period dictated in months. Our fund remains low volatility, globally diversified, and has demonstrated that it preserves capital over rolling multi-year periods. We view events this year as the final throes of central bank fuelled "growth" finally giving way to true value opportunities presenting themselves.

October 2018 has shown that although market corrections are painful to endure and happen more often than human memory chooses to recall, what all investors (be they retail or institutional) should focus on is the long term; long term capital appreciation and capital preservation for the long term. Intermittent market volatility during a number of months can and must be put in context when viewed in the actual investment horizon of the investor. We continue to believe in the benefits of a systematic, globally diversified, value oriented investment style. Value has, and will continue to, outlive "short term" market fads across an investors' time horizon.

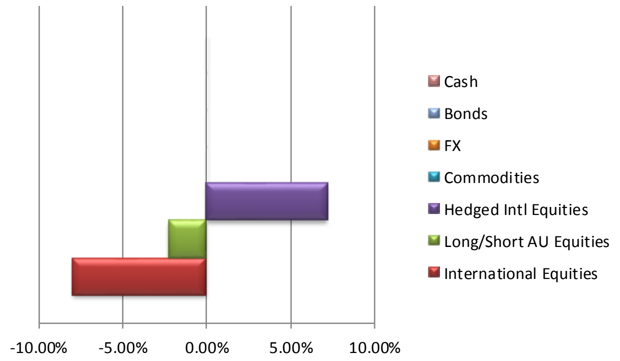
## UNDERLYING FUND DATA

**Important Note**: The data on this page (unless otherwise referenced) specifically refers to the underlying fund. 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

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- 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-Sep-18 | 31-Oct-18 | ROR |
|---|---|---|---|
| **EUROPE** | | | |
| Germany DAX (TR) | 12246.73 | 11447.51 | -6.53% |
| Switzerland SMI (PR) | 9087.99 | 9022.16 | -0.72% |
| STOXX Europe 50 (EUR) | 3067.94 | 2947.71 | -3.92% |
| FTSE 100 | 7510.2 | 7128.1 | -5.09% |
| France CAC 40 | 5493.49 | 5093.44 | -7.28% |
| FTSE MIB | 20711.7 | 19050.22 | -8.02% |
| Netherlands AEX | 549.62 | 518.71 | -5.62% |
| Belgium BEL 20 | 3706.74 | 3447.07 | -7.01% |
| OMX Stockholm 30 | 1662.3578 | 1538.2205 | -7.47% |
| Norway Oslo All-Share | 1069.14 | 1010.4 | -5.49% |
| Ireland ISEQ | 6522.36 | 6147.61 | -5.75% |
| Spain IBEX 35 | 9389.2 | 8893.5 | -5.28% |
| Cyprus CSE General | 72.61 | 67.93 | -6.45% |
| **AMERICAS** | | | |
| S&P 500 | 2913.98 | 2711.74 | -6.94% |
| DJ 30 Industrials | 26458.31 | 25115.76 | -5.07% |
| DJ 65 Composite Average | 8810.24 | 8314.03 | -5.63% |
| NASDAQ Composite | 8046.352 | 7305.898 | -9.20% |
| Russell 1000 | 1614.54 | 1498.654 | -7.18% |
| S&P TSX | 16073.14 | 15027.28 | -6.51% |
| Brazil Bovespa | 79342.42 | 87423.55 | 10.19% |
| Argentina Merval | 33461.77 | 29491.11 | -11.87% |
| Mexico IPC | 49504.16 | 43942.55 | -11.23% |
| **ASIA** | | | |
| S&P ASX 200 | 6207.6 | 5830.3 | -6.08% |
| Nikkei 225 | 24120.04 | 21920.46 | -9.12% |
| Hang Seng | 27788.52 | 24979.69 | -10.11% |
| Korea KOSPI | 2343.07 | 2029.69 | -13.37% |
| FTSE Strait Times | 3257.05 | 3018.8 | -7.31% |
| Taiwan TAIEX | 11006.34 | 9802.13 | -10.94% |
| New Zealand NZX 50 (TR) | 9351.06 | 8752.31 | -6.40% |
| China Shenzhen A Share | 1507.1182 | 1353.1261 | -10.22% |
| India S&P BSE SENSEX | 36227.14 | 34442.05 | -4.93% |
| FTSE Bursa Malaysia KLCI | 1793.15 | 1709.27 | -4.68% |
| Indonesia JSX | 5976.553 | 5831.65 | -2.42% |

| FOREIGN EXCHANGE | 30-Sep-18 | 31-Oct-18 | ROR |
|---|---|---|---|
| AUD/USD | 0.723 | 0.708 | -2.08% |
| EUR/USD | 1.168 | 1.136 | -2.80% |
| JPY/USD | 112.943 | 112.670 | -0.24% |
| GBP/USD | 1.309 | 1.280 | -2.22% |
| CHF/USD | 1.028 | 0.996 | -3.17% |
| USD/CAD | 0.775 | 0.760 | -1.95% |
| EUR/GBP | 0.893 | 0.887 | -0.59% |
| AUD/EUR | 1.616 | 1.605 | -0.73% |
| USD/CHF | 0.982 | 1.009 | 2.75% |
| GBP/AUD | 1.805 | 1.805 | 0.01% |
| CBOE Volatility Index | 12.12 | 21.23 | 75.17% |

| COMMODITIES | 30-Sep-18 | 31-Oct-18 | ROR |
|---|---|---|---|
| **Energy** | | | |
| Crude Oil WTI (NYM $/bbl) Continuous | 73.25 | 65.31 | -10.84% |
| Brent Crude (ICE $/bbl) Continuous | 82.72 | 75.47 | -8.76% |
| NY Harbor ULSD (NYM $/gal) Continuous | 2.35 | 2.25 | -4.13% |
| NY Harb RBOB (NYM $/gal) Continuous | 2.09 | 1.75 | -16.03% |
| Natural Gas (NYM $/btu) Continuous | 3.01 | 3.26 | 8.41% |
| **Precious Metals** | | | |
| Gold (NYM $/ozt) Continuous | 1196.20 | 1215.00 | 1.57% |
| Silver (NYM $/ozt) Continuous | 14.71 | 14.28 | -2.92% |
| **Industrial Metals** | | | |
| Aluminum (LME Cash $/t) | 2011.50 | 1946.00 | -3.26% |
| High Grade Copper (NYM $/lbs) Continuous | 6180.00 | 6073.00 | -1.73% |
| Nickel (LME Cash $/t) | 12480.00 | 11625.00 | -6.85% |
| Iron Ore 62% CN TSI (NYM $/mt) | 68.73 | 72.81 | 5.94% |
| Zinc (LME Cash $/t) | 2573.00 | 2590.00 | 0.66% |
| **Agricultural** | | | |
| Corn (CBT $/bu) Continuous | 3.56 | 3.63 | 1.96% |
| Soybeans (CBT $/bu) Continuous | 8.46 | 8.52 | 0.74% |
| Wheat (CBT $/bu) Continuous | 5.09 | 5.01 | -1.67% |
| Cotton #2 (NYF $/lbs) Continuous | 0.76 | 0.77 | 0.64% |
| Sugar #11 (NYF $/lbs) Continuous | 0.11 | 0.13 | 17.77% |
| **Indices** | | | |
| GS Commodity (CME) Continuous | 486.20 | 455.35 | -6.35% |
| PowerShares DB Commodity Index Tracking Fund | 17.97 | 16.96 | -5.62% |
| db x-trackers SICAV - db x-trackers DB COMMODITY BO | 15.55 | 15.10 | -2.89% |

| 10 YEAR SOVEREIGN YIELDS | 29-Sep-18 | 31-Oct-18 | Yield D |
|---|---|---|---|
| US | 3.05% | 3.15% | 0.10% |
| UK | 1.57% | 1.46% | -0.10% |
| Europe | 0.47% | 0.39% | -0.08% |
| Australia | 2.67% | 2.61% | -0.05% |
| Belgium | 0.84% | 0.79% | -0.05% |
| Canada | 2.42% | 2.49% | 0.07% |
| Denmark | 0.39% | 0.33% | -0.06% |
| France | 0.81% | 0.76% | -0.05% |
| Germany | 0.47% | 0.39% | -0.08% |
| Greece | 4.14% | 4.21% | 0.07% |
| Ireland | 0.99% | 0.96% | -0.03% |
| Italy | 3.18% | 3.42% | 0.24% |
| Japan | 0.12% | 0.12% | 0.00% |
| Netherlands | 0.58% | 0.52% | -0.05% |
| New Zealand | 2.61% | 2.54% | -0.07% |
| Norway | 1.91% | 1.93% | 0.02% |
| Portugal | 1.89% | 1.88% | -0.01% |
| Spain | 1.51% | 1.56% | 0.05% |
| Sweden | 0.63% | 0.62% | -0.01% |
| Switzerland | 0.07% | 0.04% | 0.04% |

ROR = Rate of Return
Yield D = Yield differential

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[i] http://www.multpl.com/shiller-pe/ http://www.econ.yale.edu/~shiller/data.htm
[ii] Norbert Keimling
[iii] Financial Times 23/10/2018
[iv] https://money.cnn.com/2000/03/30/mutualfunds/q_funds_tiger/sidebar.htm
[v] https://cib.societegenerale.com/en/prime-services-indices/