



# MONTHLY PERFORMANCE REPORT

## January 2019

**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 +0.37% in January. The return for the rolling twelve months since February 2018 was 2.78%.

| PERFORMANCE<br>(Inception Sep-2016) | Arminius Capital<br>EMMA Fund |
|-------------------------------------|-------------------------------|
| 1 Month                             | 0.37%                         |
| 3 Months                            | 0.89%                         |
| Calendar YTD                        | 0.37%                         |
| 1 Year                              | 2.78%                         |
| 3 Years                             | -                             |
| 5 Years                             | -                             |
| <b>Since Inception<br/>SEP 2016</b> | <b>6.53%</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 => | 0.56%  | 0.07%  | 0.53% | 0.28%  | 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%  | 0.32%  | 0.05% | -0.29% | 0.82% | 2.68% |
| 2019 | 0.37% | -      | -      | -     | -      | -     | -            | -      | -      | -     | -      | -     | 0.37% |

**NAV:** \$34,209,479.23

**Unit Price:** 0.9975

**INVESTMENT MANAGER**

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

**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****DISTRIBUTION DETAILS**

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| INSTRUMENTS                                    | % OF FUND |
|--|-----------|
| BETASHARESCASHETF ETF UNITS                    | 2.5%      |
| MACQUARIE BANK LTD CAP NOTE 6-BBSW+3.30%       | 2.1%      |
| CHALLENGER LIMITED CNV PREF 3-BBSW+3.40%       | 2.1%      |
| WESTPAC BANKING CORP CAP NOTE 3-BBSW+3.20%     | 2.1%      |
| WESTPAC BANKING CORP CAP NOTE 3-BBSW+4.00%     | 1.8%      |
| NATIONAL AUST BANK CAP NOTE 3-BBSW+3.50%       | 1.8%      |
| NATIONAL AUST BANK CNV PREF 3-BBSW+3.25%       | 1.8%      |
| SUNCORP GROUP LTD CNV PREF 3-BBSW+3.4%         | 1.8%      |
| AUSTRALIAN UNITY LTD SIMPLE BOND 3-BBSW+2.80%  | 1.5%      |
| IAG FINANCE (NZ) LTD CONVERT BOND 3-BBSW+4.00% | 1.3%      |



## FUND MANAGER COMMENTARY

### INVESTMENT PERFORMANCE

The Fund returned +0.37% in January, from a broad and conservative portfolio. The Fund has met its objective of an annual return between 2.5% and 3.5%, and we expect it to do so again this year. The return target does not include grossing up for franking credits, because tax benefits are beyond the control of Arminius as Fund Manager. We remind our investors that short-term results should not be extrapolated to an annual figure.

### PORTFOLIO COMPOSITION

At 31 January 2019 the portfolio comprised eighteen securities with weighted average maturity of 2.66 years. The portfolio had a cash yield of 3.80% and a yield to maturity of 4.37%. Grossed up for franking credits, the running yield is 4.71%. These figures exclude a large temporary inflow which is held in the Fund's interest-bearing bank account. For this reason, the portfolio's holdings of cash and cash equivalents amounted to 77% of the portfolio. The large cash holding is expected to be reduced in coming weeks.

As global capital markets settled down in January, we expanded the portfolio's holdings (in order to diversify) and increased its weighted average maturity (in order to increase returns). We bought AGL Energy Subordinated Notes (AGLHA), Challenger Capital Notes (CGFPA), Macquarie Bank Capital Notes (MBLPA), Macquarie Income Securities (MBLHB), and National Income Securities (NABHA). No holdings were sold or redeemed.

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 the securities held by EMMA are listed on the ASX, so as to provide maximum liquidity for any redemptions.

### INVESTMENT OUTLOOK

Economic data released in January pointed to a slowing Australian economy in 2019, led downward by the sharp drop in housing starts and the ongoing slide in house prices. Slower GDP growth and declining inflation usually means lower bond yields, but the outlook is complicated by the falling Australian dollar and the possibility of a US-China trade war.

This year's Federal election brings more uncertainty than usual in Australian money markets because of the ALP's proposal to end cash payments for franking credits. The fact that this proposal will reduce the value of franking credits for a large number of small investors has already roiled the value of bank-issued hybrids and will continue to do so until the detailed legislation is enacted. The value of franking credits is unchanged for larger investors, so the net result is likely to be a shift in the ownership of these hybrids.

The much-feared final report of the Hayne Royal Commission (on 4 February) let the banks off very lightly. Perhaps a few low-level bankers will go to jail, but there will be no changes to the banks' structure or to the regulatory model, let alone any prescriptions about how to run their business. Labor Party spokesmen have promised that they will be tougher than Hayne, but any actual changes are necessarily a long way off. First, the ALP has to win government, then it has to draft detailed and complex legislation amid resistance from the vested interests, and finally it has to get its legislation through Parliament. We do not expect any near-term impact on fixed income markets.



The EMMA portfolio remains conservatively positioned. If a change in the value of franking credits seems likely, we will shift the portfolio toward fixed interest instruments which do not carry franking credits, until the situation is clarified. We note that the Reserve Bank has recently warned that, under certain circumstances, it may cut the official cash rate from its current record low of 1.50%. Such a move would drag short-term yields down even further, but yields on longer bonds are likely to follow global trends, such as the US 10-year bond yield (which at month-end was 39 basis points above its Australian counterpart).

Under the old Chinese lunar calendar, 5 February marked the start of the Year of the Pig. Although Chinese tradition claims that pigs are kind, generous, passionate, and hardworking, we suspect this year will live up to the Western stereotype of the pig. And if that's not enough, 2020 is the Year of the Rat!

Arminius Capital Management, January 2019

## 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-Dec-18 | 31-Jan-19 | <b>ROR</b>     |
|---|-----------|-----------|----------------|
| <b>EUROPE</b>                                       |           |           |                |
| Germany DAX (TR)                                    | 10558.96  | 11173.1   | <b>5.82%</b>   |
| Switzerland SMI (PR)                                | 8429.3    | 8969.27   | <b>6.41%</b>   |
| STOXX Europe 50 (EUR)                               | 2760.06   | 2897.13   | <b>4.97%</b>   |
| FTSE 100  | 6728.13   | 6968.85   | <b>3.58%</b>   |
| France CAC 40                                       | 4730.69   | 4992.72   | <b>5.54%</b>   |
| FTSE MIB  | 18324.03  | 19730.78  | <b>7.68%</b>   |
| Netherlands AEX                                     | 487.88    | 520.63    | <b>6.71%</b>   |
| Belgium BEL 20                                      | 3243.63   | 3491.62   | <b>7.65%</b>   |
| OMX Stockholm 30                                    | 1408.7365 | 1515.4233 | <b>7.57%</b>   |
| Norway Oslo All-Share                               | 902.3     | 946.38    | <b>4.89%</b>   |
| Ireland ISEQ  | 5479.81   | 5767.68   | <b>5.25%</b>   |
| Spain IBEX 35                                       | 8539.9    | 9056.7    | <b>6.05%</b>   |
| Cyprus CSE General                                  | 66.77     | 62.92     | <b>-5.77%</b>  |
| <b>AMERICAS</b>                                     |           |           |                |
| S&P 500   | 2506.85   | 2704.1    | <b>7.87%</b>   |
| DJ 30 Industrials                                   | 23327.46  | 24999.67  | <b>7.17%</b>   |
| DJ 65 Composite Average                             | 7710.44   | 8252.36   | <b>7.03%</b>   |
| NASDAQ Composite                                    | 6635.277  | 7281.738  | <b>9.74%</b>   |
| Russell 1000  | 1384.262  | 1498.356  | <b>8.24%</b>   |
| S&P TSX   | 14322.86  | 15540.6   | <b>8.50%</b>   |
| Brazil Bovespa                                      | 87887.26  | 97393.74  | <b>10.82%</b>  |
| Mexico IPC  | 41640.27  | 43987.94  | <b>5.64%</b>   |
| <b>ASIA</b>   |           |           |                |
| S&P ASX 200   | 5646.4    | 5864.7    | <b>3.87%</b>   |
| Nikkei 225  | 20014.77  | 20773.49  | <b>3.79%</b>   |
| Hang Seng   | 25845.7   | 27942.47  | <b>8.11%</b>   |
| Korea KOSPI   | 2041.04   | 2204.85   | <b>8.03%</b>   |
| FTSE Strait Times                                   | 3068.76   | 3190.17   | <b>3.96%</b>   |
| Taiwan TAIEX  | 9727.41   | 9932.26   | <b>2.11%</b>   |
| New Zealand NZX 50 (TR)                             | 8811.27   | 8985.34   | <b>1.98%</b>   |
| China Shenzhen A Share                              | 1325.6595 | 1332.7693 | <b>0.54%</b>   |
| India S&P BSE SENSEX                                | 36068.33  | 36256.69  | <b>0.52%</b>   |
| FTSE Bursa Malaysia KLCI                            | 1690.58   | 1683.53   | <b>-0.42%</b>  |
| Indonesia JSX                                       | 6194.498  | 6532.969  | <b>5.46%</b>   |
| <b>FOREIGN EXCHANGE</b>                             |           |           |                |
| AUD/USD   | 0.705     | 0.727     | <b>3.09%</b>   |
| EUR/USD   | 1.152     | 1.149     | <b>-0.31%</b>  |
| JPY/USD   | 109.039   | 108.513   | <b>-0.48%</b>  |
| GBP/USD   | 1.279     | 1.314     | <b>2.74%</b>   |
| CHF/USD   | 1.024     | 1.009     | <b>-1.46%</b>  |
| USD/CAD   | 0.735     | 0.762     | <b>3.72%</b>   |
| EUR/GBP   | 0.901     | 0.874     | <b>-2.97%</b>  |
| AUD/EUR   | 1.634     | 1.580     | <b>-3.30%</b>  |
| USD/CHF   | 0.982     | 0.994     | <b>1.24%</b>   |
| GBP/AUD   | 1.811     | 1.802     | <b>-0.53%</b>  |
| CBOE Volatility Index                               | 25.42     | 16.57     | <b>-34.82%</b> |
| <b>COMMODITIES</b>                                  |           |           |                |
| <b>Energy</b>                                       |           |           |                |
| Crude Oil WTI (NYM \$/bbl) Continuous               | 45.41     | 53.79     | <b>18.45%</b>  |
| Brent Crude (ICE \$/bbl) Continuous                 | 53.80     | 61.89     | <b>15.04%</b>  |
| NY Harbor ULSD (NYM \$/gal) Continuous              | 1.68      | 1.88      | <b>11.79%</b>  |
| NY Harb RBOB (NYM \$/gal) Continuous                | 1.30      | 1.38      | <b>5.80%</b>   |
| Natural Gas (NYM \$/btu) Continuous                 | 2.85      | 2.81      | <b>-1.30%</b>  |
| <b>Precious Metals</b>                              |           |           |                |
| Gold (NYM \$/ozt) Continuous                        | 1281.30   | 1325.20   | <b>3.43%</b>   |
| Silver (NYM \$/ozt) Continuous                      | 15.54     | 16.07     | <b>3.42%</b>   |
| <b>Industrial Metals</b>                            |           |           |                |
| Aluminum (LME Cash \$/t)                            | 1869.50   | 1880.50   | <b>0.59%</b>   |
| High Grade Copper (NYM \$/lbs) Continuous           | 5965.00   | 6148.00   | <b>3.07%</b>   |
| Nickel (LME Cash \$/t)                              | 10595.00  | 12380.00  | <b>16.85%</b>  |
| Iron Ore 62% CN TSI (NYM \$/mt)                     | 69.20     | 76.03     | <b>9.87%</b>   |
| Zinc (LME Cash \$/t)                                | 2510.50   | 2719.50   | <b>8.33%</b>   |
| <b>Agricultural</b>                                 |           |           |                |
| Corn (CBT \$/bu) Continuous                         | 3.75      | 3.77      | <b>0.40%</b>   |
| Soybeans (CBT \$/bu) Continuous                     | 8.95      | 9.15      | <b>2.26%</b>   |
| Wheat (CBT \$/bu) Continuous                        | 5.03      | 5.17      | <b>2.63%</b>   |
| Cotton #2 (NYF \$/lbs) Continuous                   | 0.72      | 0.74      | <b>3.05%</b>   |
| Sugar #11 (NYF \$/lbs) Continuous                   | 0.12      | 0.13      | <b>5.82%</b>   |
| <b>Indices</b>                                      |           |           |                |
| GS Commodity (CME) Continuous                       | 375.25    | 407.80    | <b>8.67%</b>   |
| PowerShares DB Commodity Index Tracking Fund        | 14.49     | 15.52     | <b>7.11%</b>   |
| db x-trackers SICAV - db x-trackers DB COMMODITY BO | 13.96     | 14.71     | <b>5.40%</b>   |
| <b>10 YEAR SOVEREIGN YIELDS</b>                     |           |           |                |
| US  | 2.74%     | 2.63%     | <b>-0.11%</b>  |
| UK  | 1.27%     | 1.22%     | <b>-0.05%</b>  |
| Europe  | 0.24%     | 0.15%     | <b>-0.09%</b>  |
| Australia   | 2.36%     | 2.23%     | <b>-0.13%</b>  |
| Belgium   | 0.77%     | 0.60%     | <b>-0.16%</b>  |
| Canada  | 1.96%     | 1.88%     | <b>-0.08%</b>  |
| Denmark   | 0.22%     | 0.30%     | <b>0.08%</b>   |
| France  | 0.70%     | 0.56%     | <b>-0.14%</b>  |
| Germany   | 0.24%     | 0.15%     | <b>-0.09%</b>  |
| Greece  | 4.35%     | 3.86%     | <b>-0.49%</b>  |
| Ireland   | 0.89%     | 0.87%     | <b>-0.02%</b>  |
| Italy   | 2.75%     | 2.59%     | <b>-0.16%</b>  |
| Japan   | 0.01%     | 0.00%     | <b>-0.01%</b>  |
| Netherlands   | 0.38%     | 0.25%     | <b>-0.13%</b>  |
| New Zealand   | 2.38%     | 2.25%     | <b>-0.13%</b>  |
| Norway  | 1.74%     | 1.71%     | <b>-0.03%</b>  |
| Portugal  | 1.72%     | 1.62%     | <b>-0.10%</b>  |
| Spain   | 1.41%     | 1.20%     | <b>-0.21%</b>  |
| Sweden  | 0.46%     | 0.38%     | <b>-0.08%</b>  |
| Switzerland   | -0.19%    | -0.22%    | <b>0.03%</b>   |

ROR = Rate of Return

Yield D = Yield differential

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