MONTHLY PERFORMANCE REPORT
May 2019

The Fund returned +1.39% for the month, compared with +0.05% for the HFRX Absolute Return Index and -1.30% for the Societe Generale CTA Mutual Fund Index. The Fund continues to achieve its objective of being a low volatility fund (6.45% since inception July 2014) with low correlation to equity markets, as a consequence of our risk averse strategies.

Now in Q2 2019, our models indicate that all major markets' YTD rises have no basis in any fundamentals i.e. either company earnings or the macro backdrop. Volatility is only at or below its historical long term average. We expect the US dollar to continue appreciating in 2019 although the outlook for US interest rates is less certain. This implies an outlook of 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	SOCIETE GENERALE CTA MUTUAL FUND INDEX
1 Month	**1.39%**	0.05%	1.25%	-1.30%
3 Months	**1.52%**	-0.23%	6.71%	5.30%
Calendar YTD	**1.72%**	0.90%	10.99%	0.69%
1 Year	**-11.15%**	-0.44%	-3.05%	1.01%
3 Years	**3.17%**	4.18%	12.18%	-3.64%
5 Years	**-**	6.73%	4.23%	0.66%
Cumulative since Inception JUL 2014	**13.10%**	**6.01%**	**3.35%**	**0.48%**

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%	-1.94%	-3.90%	-3.75%	-2.26%	-14.1%
2019	0.08%	0.12%	0.35%	-0.22%	1.39%	-	-	-	-	-	-	-	1.72%

* 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 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: Sargon CT
Prime Broker: Interactive Brokers
Auditors: Grant Thornton
Compliance: King Irving

INVESTMENT MANAGER

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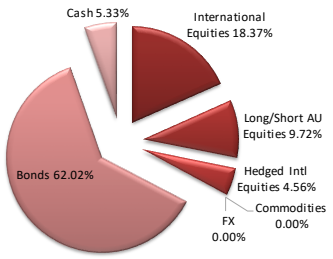
FUND STATISTICS MONTHLY

From July 2014	ALPS Fund	XJO
Sharpe Ratio	**0.23**	0.24
Sortino Ratio (RFR)	**0.72**	0.91
Downside Deviation	**2.01%**	3.04%
Standard Deviation	**1.86%**	3.31%
Annualized SD	**6.45%**	11.46%
Mean Monthly Return	**0.23%**	0.34%
Compound Monthly Return	**0.22%**	0.29%
Excess Return (RFR)	**1.45%**	2.76%
Portfolio Correlation to XJO	**0.50**	-
R^2 Coefficient of Determination	**0.08**	-

STRATEGIC ASSET ALLOCATION
at Month's commencement



FUND PERFORMANCE:

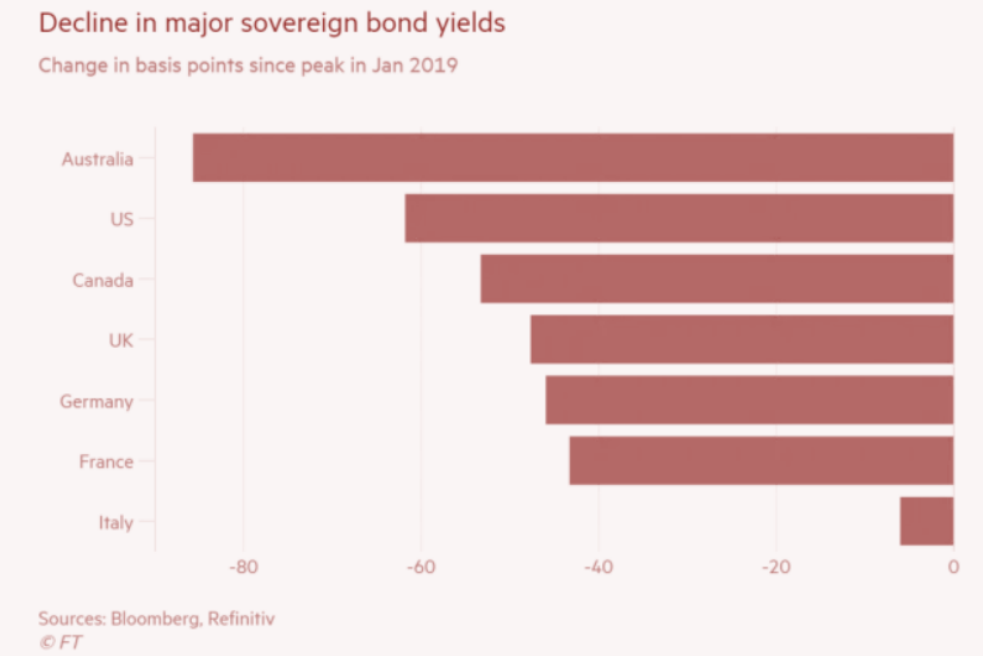
The Arminius Capital ALPS Fund produced a positive return of +1.39% in May, uncorrelated to and despite sharp falls in global share markets. May saw the US falling -6.58%, Europe falling -5.70% and Japan falling -7.45%. The Chinese share markets continued their April decline: the Shanghai Composite price index slipped a further -6.1% and the Shenzhen Composite index fell -7.4%. Hong Kong's Hang Seng fell -9.42% through the month of May.

The world's major share markets all fell during May, reversing their April gains. The catalyst was the growing possibility of a full-scale trade war. The US and Chinese sides hardened their positions, and there are no plans for negotiations to resume.

On top of that, on 31 May, The Donald tweeted that he would impose tariffs of up to 25% on Mexican goods unless the Mexican government stopped the flow of illegal immigrants into the US. Investors promptly ditched equities and scrambled into high-quality bonds, sending yields down around the world. The gold price also hit a two-month high.

In Australia, however, the outcome of the Federal election propelled enough companies in the share market upward to offset the global negatives. The S&P/ASX200 price index rose 1.13% in May, and the effect of dividends raised the S&P/ASX200 total return index to 1.2%.

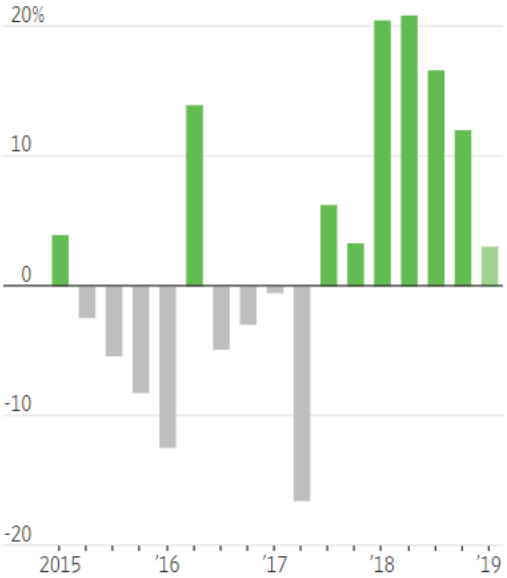
INVESTMENT OUTLOOK



We have said repeatedly that bond markets are bigger and smarter than equity markets. In May they told us again what they have been telling us for six months – that global growth is slowing down, and that there is no risk of inflation. The chart above shows us how far and how fast the yields on ten-year government bond have fallen in major economies over the last five months. The US ten-year yield is now back to its level in late 2017, i.e. before the Trump tax cuts.

It is now clear that the Trump tax cuts had no lasting impact on the US economy. A report from the non-partisan Congressional Research Service concluded that the tax cuts had little or no impact on GDP growth, which means that the cuts have not yet "paid for themselves" by stimulating new economic activity. Other effects seem to have been temporary: capital expenditure, for example, surged briefly then fell back toward trend levels, as shown in the chart below. Similarly, repatriation of corporate earnings from overseas surged in early 2018, then fell back toward trend levels. Many companies had boasted that they were paying bonuses to workers, but the actual amounts paid turned out to be minuscule: total bonuses of USD $4.4 billion paid in 2018 were equivalent to less than the 3% of the value of the corporate tax cut, or USD $28 to each of the US's $157 million workers.

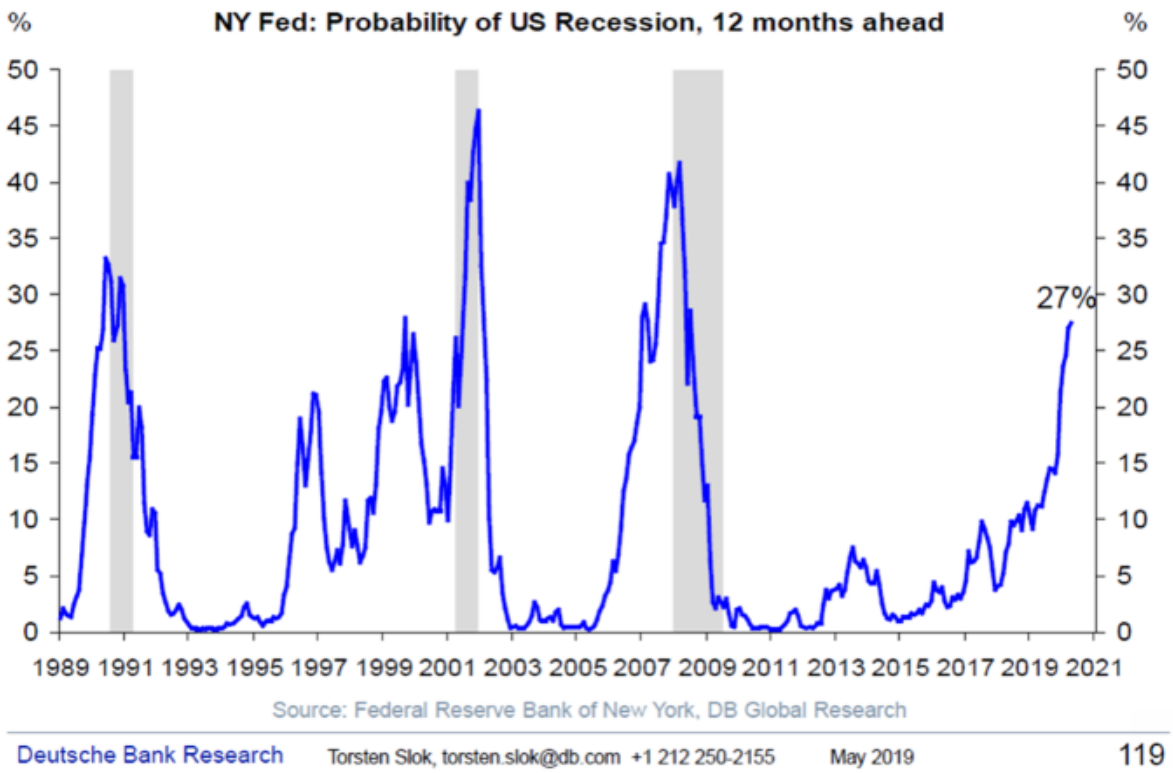
Change in capital expenditure from a year earlier for S&P 500 companies, quarterly



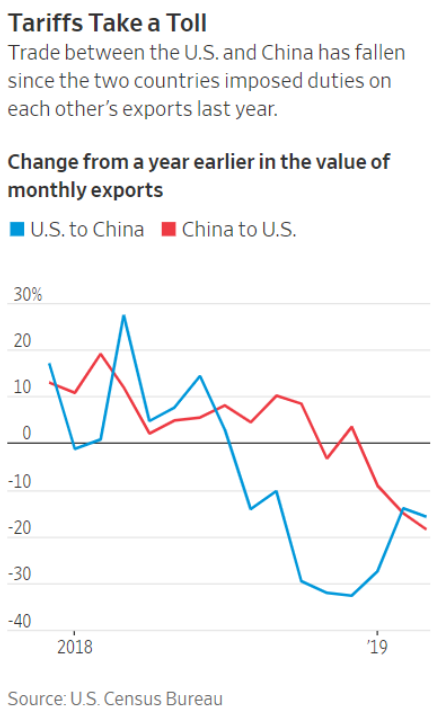
Note: Figure for 2019 compares growth from a year earlier for the 356 companies that had disclosed quarterly results in filings through midday May 8.
Source: WSJ analysis of data from Calcbench

At the same time, the US yield curve has turned inverse for the first time since the GFC. An inverted yield curve is a reliable indicator of a recession within eighteen months, and it is independently supported by the New York Federal Reserve's own recession indicator (shown below).

New York Fed recession probability in the next 12 months



The real economy has been showing signs of slowdown for several months. The housing sector is decelerating, and auto sales have dried up. And don't forget the trade war! The US and Chinese imposition of tariffs on each other's goods has reduced trade between the two countries, as shown in the chart below.



As if a recession and a trade war weren't enough, the US regulators have begun preliminary investigations into the big technology stocks on antitrust and privacy grounds. The Department of Justice will look at Apple and Google (Alphabet), while the Federal Trade Commission will examine Amazon and Facebook. As we noted in our 21 May Geldzug article on bipartisanship http://arminiuscapital.com.au/bipartisanship-an-albatross-for-congress/, more effective regulation of the tech stocks attracts vocal support from both Democrats and Republicans (even if they rarely understand the companies they are regulating). As with Microsoft between 1992 and 2002, these antitrust inquiries could run for several years and damage share prices, even if they don't result in substantive change.

Meanwhile, back in Australia, things are looking up. The increasing likelihood of further Brexit disasters has weighed upon stocks with substantial UK operations, such as Link, Pendal, and Janus Henderson. The near-certainty of a China slowdown has percolated into the minds of Australian investors, who have marked down stocks with Chinese exposure, excluding the resources sector, which is still enjoying higher coal and iron ore prices. But these negatives were outweighed by the positive effects of the Federal election on the banking, housing, and health insurance sectors, which rebounded strongly in May.

Although the outlook for the Australian economy is better, it still could not be described as good. The March quarter GDP figure of 0.4% takes annual growth to only 1.8%: consumption remained sluggish, and growth in the March quarter was heavily reliant on government spending and strong resource exports. A combination of lower interest rates, deposit subsidies for first-home buyers, and looser prudential restrictions may stop the slide in the housing market, but the Federal Government faces a number of policy and legislative challenges.

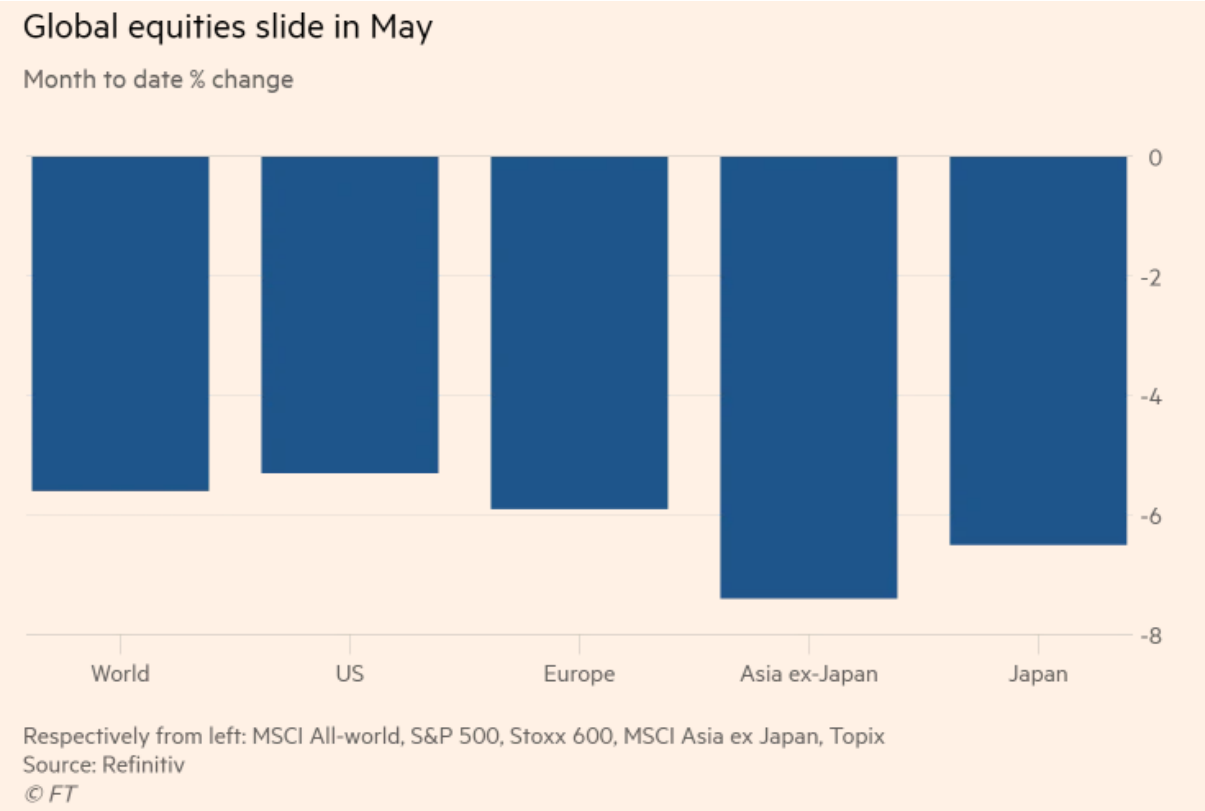
In summary, the world's bond markets are warning us to expect further declines in global share markets over the next few months. Economic growth is weakening in the US, Europe, and Japan, while geopolitical tensions are rising. Even if the US and China do manage to patch up some sort of trade agreement soon, it will only be a truce in what is looking more and more like a long war between the two superpowers, which will be fought on multiple fronts – e.g. the South China Sea, the Belt and Road Initiative, intellectual property theft, and technological dominance.

FUND MANAGER COMMENTARY

We observed in last month's performance report the enthusiasm of Larry Fink, head of Blackrock, when he said in an interview during April that "…I think you'll see investors put money back into equities". We may have mentioned that one should never ask your barber if he thinks you need a haircut, and concluded our April commentary with "***Let's see what May brings, Mr Fink***".

What May brought was the worst rout to global equities since Q4 2018. Although global equities' falls were material, the major action happened in the bond market, which we will discuss at length further. **All major equities markets fell at least -5%,** with Hong Kong (not represented in the chart below)

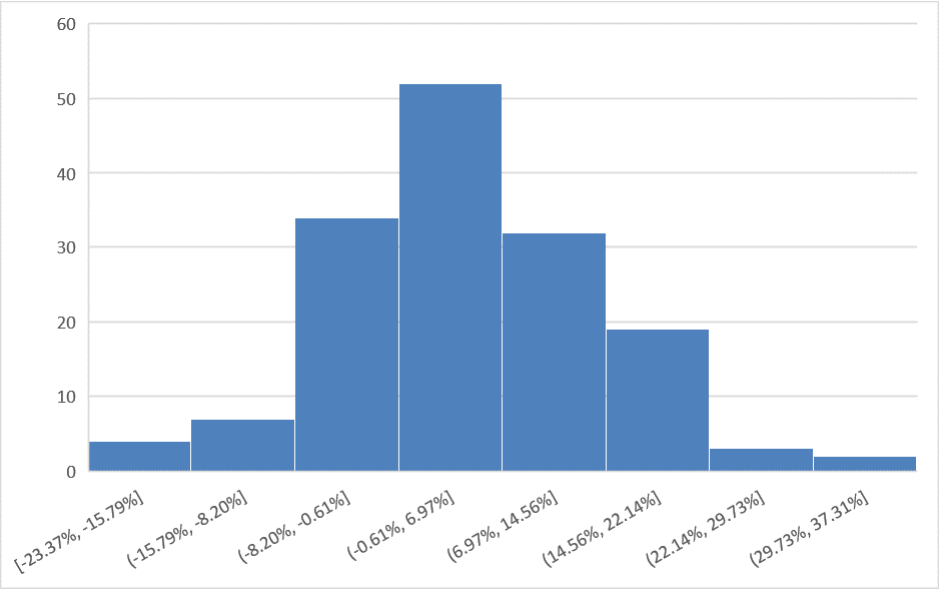
falling a colossal -9.42%. **Our fund which was exposed long/short to all those same major markets (but zero HK exposure), returned +1.39%.**



Across April and May, Chinese equities saw approx. USD$12 billion sawed off their exchanges. This marked the largest nominal "dollar" falls since 2014 when the exchanges in Hong Kong connected with onshore Chinese exchanges to provide global investors exposure to Chinese listed equities.

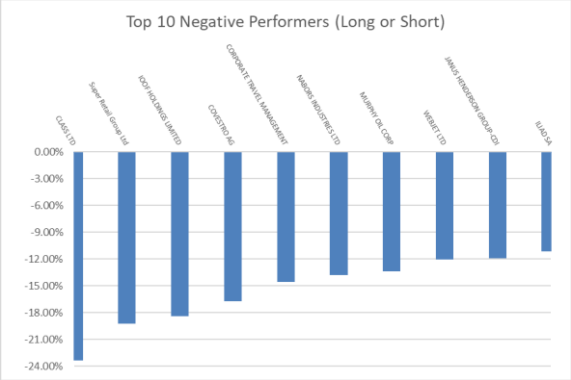
FUND ATTRIBUTION

The fund held 153 positions through the month and those returns were distributed as the below graph shows. 41 of the 153 positions held during the month returned greater than +10% (from 10.18% to 37.31%).

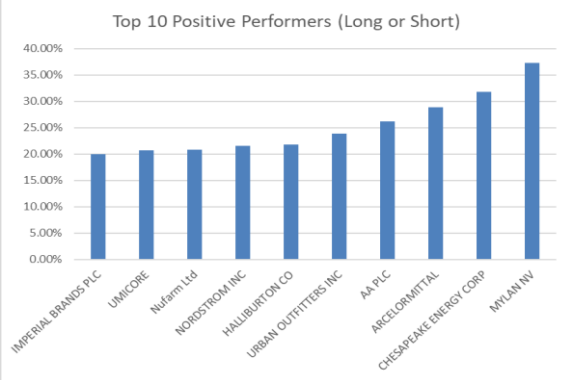


The fund was able to preserve its capital base due to shorts in May. Although not all shorts were profitable (as evidenced by the "Top 10 Negative Performers" chart), all of the Top 10 Positive Performers were indeed shorts.

INSTRUMENT NAME	MOM % Δ	L/S POSITION
CLASS LTD	-23.37%	Long
Super Retail Group Ltd	-19.23%	Short
IOOF HOLDINGS LIMITED	-18.40%	Long
COVESTRO AG	-16.69%	Short
CORPORATE TRAVEL MANAGEMENT	-14.56%	Long
NABORS INDUSTRIES LTD	-13.81%	Short
MURPHY OIL CORP	-13.37%	Short
WEBJET LTD	-12.03%	Long
JANUS HENDERSON GROUP-CDI	-11.89%	Long
ILIAD SA	-11.12%	Short

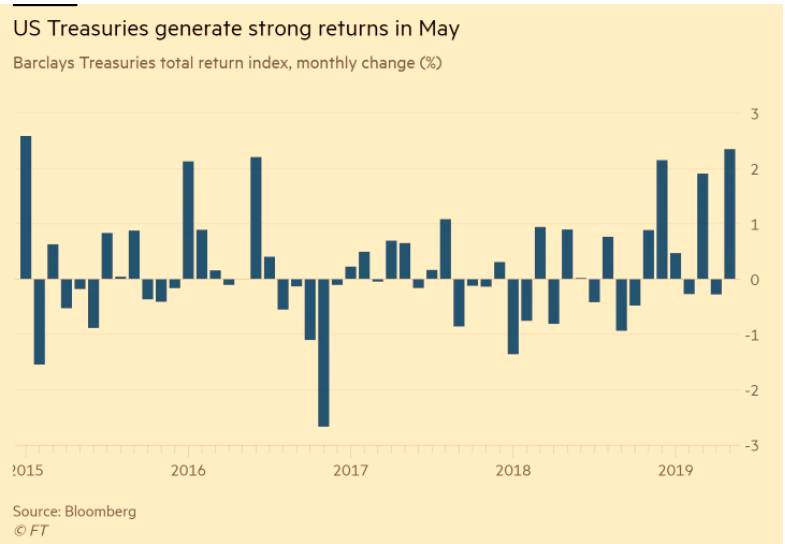


INSTRUMENT NAME	MOM % Δ	L/S POSITION
IMPERIAL BRANDS PLC	19.96%	Short
UMICORE	20.70%	Short
Nufarm Ltd	20.85%	Short
NORDSTROM INC	21.53%	Short
HALLIBURTON CO	21.74%	Short
URBAN OUTFITTERS INC	23.88%	Short
AA PLC	26.24%	Short
ARCELORMITTAL	28.84%	Short
CHESAPEAKE ENERGY CORP	31.77%	Short
MYLAN NV	37.31%	Short

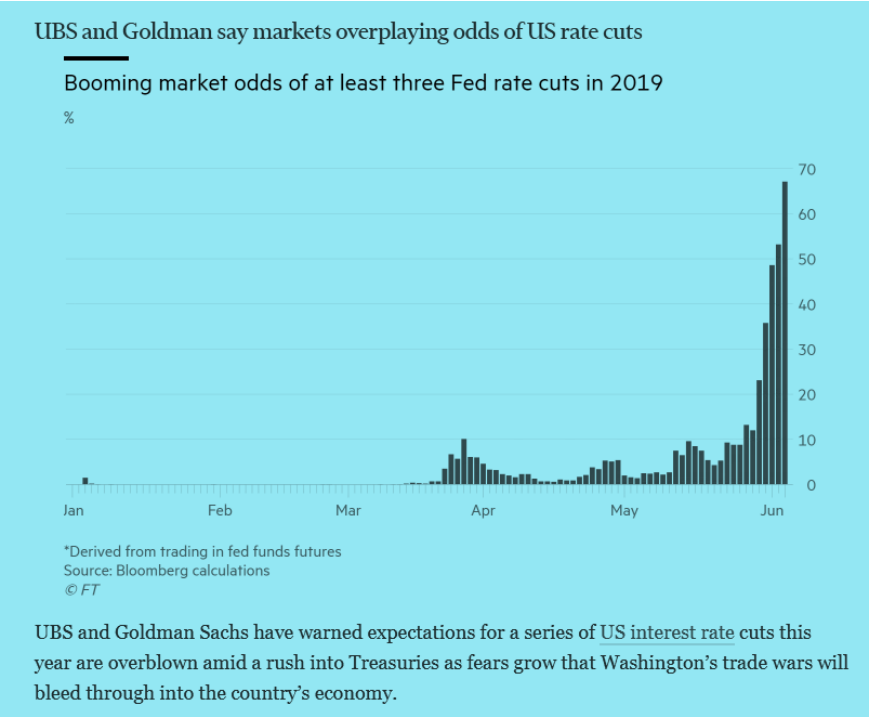


FED RATES – WILL I, WON'T I?

For all the true believers in the Greenspan/Bernanke/Yellen Put, some have been heartened by recent commentary from the current Fed Put purveyor, Powell. With the US S&P500 falling -6.6% in May, investors flocked to the safety of US treasuries, generating a monthly total return for the "risk free" assets of 2.4%, the best monthly return since 2015 (yes, exceeding December 2018).



Various members of the Fed in recent weeks have passed comment on general economic activity in the US and whether or not a monetary policy response would be warranted in response to those conditions. Inflation continues to be elusively lower than the Fed would like (as opposed to Europe where, having donned the cloak of invisibility, it is nowhere to be seen at all), and then there are of course the as-yet unquantifiable future impacts of this trade-war spat that continues. Due to these two issues alone, without even accounting for May's slide in US equities, the futures market appears to have assured itself that a cut will be coming. However, Chicago Fed president James Bullard has stated that people who are drawing that as a natural conclusion may be seeing "something that I haven't seen yet in the national data". Both UBS and Goldmans share Bullard's view, however as attested by the futures market, the outcome is far from a clear cut consensus. The futures market also, we remind investors, does not possess an untarnished track record of predicting what the Fed will do.



Indeed, as we mentioned previously, and will continue to do so, the bond market is far smarter than the equities market. Signs of further nervous skittishness not represented in the equities market (the VIX remains well within normal bounds of its ~18 index level long term historical average) are becoming quite visible in the bond market. The Merrill Lynch Option Volatility Estimate, used to gauge price swings in US Treasuries, had recently hit 73, marking the highest level since April 2017.

Our interpretation therefore is that the bond market, as opposed to the equities market, is suggesting fairly strongly that the risk of a US recession is quite present. Hence, the Fed futures market, observing the bond market as the smarter of the two capital market siblings, is suggesting to the Fed to cut rates. Whilst we are naturally suspicious of using the futures market to predict what the human board of the Fed will do, we certainly pay heed to the notion that bond market predictive capacity for the economy is superior to equity market predictive capacity in this regard.

Yields on US 10 year govs during May fell below 2.10%, putting the spread to US T-bills to its widest level since 2007. Yep, 2007.

Should the Fed cut rates, it will contribute to the stockpile of global negative yielding bonds, which currently is USD~$11 Trillion, the highest level since 2016. It will also have used up a considerable amount of dry powder that both Yellen and Powell have tried very hard to preserve during their tenure – so irrespective of whether or not the Powell Put is deployed, the Fed will be painfully aware that in so doing, it will then be scraping the very bottom of the barrel of avenues left to lend support to the economy WHEN the recession hits. Fiscal policy (tax cuts) have had great impact, but sugar highs wear off. Monetary policy is then so often left to do the heavy lifting, and many at the Fed (Bullard included) will be looking at (i) inflation data - if they can find it: CPI all items is 1.8% YoY and (ii) the headline unemployment rate of 3.6% (3.3% for adult men, 3.2% for adult women) and be saying "hold the line…hold…hold".

ECB'S EUROPE: THE WORLD'S LONGEST SUFFERING METHADONE PATIENT

May 2019 saw German Bund yields hitting their lowest level since The Reunification of East Germany and West Germany in 1990. At the time of writing, buying German Bunds will ensure that you receive a (**negative)** yield of -0.24%. Europe-wide, it appears that QE has been a dismal failure since implementation post-GFC. Europeans would surely look at the QE effects in the US and wonder why has hope abandoned them. The ECB has printed EUR 2.6 Trillion since the GFC (roughly 40% of EU GDP) and in return, the economies of the trade bloc have received…what?

ECB supporters will argue that the central bank has seen off a deflation-like threat, although those familiar with European economic & military history may take the perspective that of the two twin fiat money demons, one should fear the run-away effects of inflation more. They would then go on to argue that the deflation Europe suffered in the 1930s led to something far more insidious a few years later. EU inflation at the time of writing this report (early May) was an underwhelming 1.2%. The capital markets are pricing European inflation in 5 years to be circa 1.3%, which is, errr, still somewhat below the ECB's target of 2%.

Although claiming that they have "defeated deflation" since the GFC, it would do no harm to create some semblance of inflation in the EU, although having dropped EUR 2.6 Trillion, we can't really say that they haven't tried. What they have done, is create massive systemic imbalances with those asset purchases to the point where the ECB is, to put it mildly, quite exposed to the next global downturn. Of course, when one owns the printing presses, one can argue that one doesn't care how exposed one is. This is a fine attitude to adopt in your own sandpit, however this argument only holds weight whilst all the countries involved need or want to keep using the same currency denomination that your printing presses spit out. Prego!

So even after the ECB has **printed equivalent to 40% of EU GDP** post-GFC, European banks continue to be reticent to lend to companies; companies do not want to borrow; instead, preferring to use insanely low interest rates to repair their balance sheets. EU demand languishes so inflation cannot rise much above 1%, while all the time corporate bond issuance continues apace, increasing corporate debt issuance to levels far in excess of pre-GFC, whilst at the same time deteriorating the quality of the credit. Today's European BAA grade is *tomorrow's* junk grade.

As always, the ECB has intoned that whilst it is prepared to lend all possible support via monetary policy, it refers the bloc's sovereign governments to step up their fiscal policy spending (it is disconcerting that after 10 years, Mario is still delivering the same speech). How very Keynesian – "You governments go and do something to make people feel more enthusiastic" that will fix everything. Right? With inflation currently at 1.2%, the ECB's own internal economic projections are that inflation may still only hit 1.6% by 2021. That is not a lot of inflation to see for EUR 2.6 Trillion spent/printed. The ECB continues to leave the benchmark main refinancing rate at 0.0% and the deposit rate at -0.4%. They have changed their guidance from their previous most recent statement that they will hold rates at current levels until the end of 2019, to this month stating that this will now most likely be until mid half of 2020.

Not everyone in the ECB agrees that this is the best course of action, with 2 of the 25 members of the governing council vocally dismissing the efficacy of the ECB's actions, being Jens Wiedmann (Bundesbank President) and Klaas Knot (Dutch Central Bank President). As Jacques Delors, former President of the European Commission, said some 25 years ago, "**Not all Germans believe in God, but they all believe in the Bundesbank**" in reference to the German abhorrence of any potential economic environment that would give rise once again to hyperinflation. If the ECB's goal under Mario Draghi was supposed to stave off deflation, well done! It may now perhaps be time to try something else to foster some growth.

ONLY WINNERS IN TOUGH TIMES REPEAT

It is well documented (by Compliance lawyers world over) on every application form or powerpoint presentation that "**past performance is no indicator of future performance**". Despite this attestation, almost every investor will make a decision to exit (or enter) a fund based on that fund's **past** track record, typically the most recent performance results having the most weight in influencing the decision maker's thought process. Due to the twin evils of Recency and Tracking Error Regret (Swedroe, 2019) this leads investors (often institutional but also, sadly, almost always retail) to typically underperform across a 10 year period due to transaction costs and timing the market incorrectly (getting in or out at the worst possible time).

For clarity, the Twin Evils of the decision maker's thought process are:

> **Recency**: Performance chasing in its worst form; going in pursuit of the latest hot asset class, media darling, fund or style.
>
> **Tracking Error Regret**: Panic felt by the investor when their globally diversified investment portfolio temporarily underperforms a stock market index commonly mentioned in the daily news eg. S&P500, ASX200.

"Recency" means that investors will buy "the next best thing/fund" ***after*** that new investment has had a period of good performance (the new fund's marketing department has done their job) or sell their existing investment ***after*** a period of poor performance (locking in those losses forever).

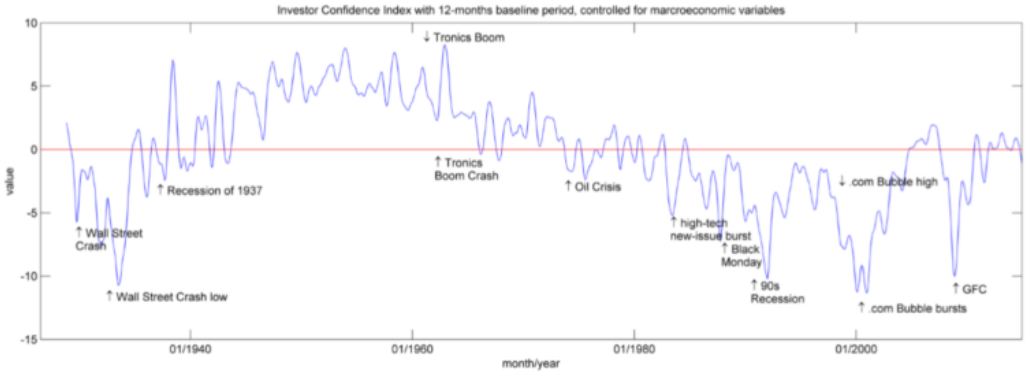
"Tracking Error Regret" means that due to the fear of missing out on what someone else has told you (the investor) that they have just returned in ***their*** portfolio, the investor's anxiety level increases. Long term investment decisions that were made in calmer moments all of a sudden are discarded due to the want to gratify current emotions created by hearing about what someone else did yesterday.

Further, when an investors' portfolio performance is ***good***, investors (this includes fund managers!!) typically attribute this to their own individual brilliance. This brilliance is however known by another word beginning with "B" called "Beta".

Alpha is what the investor produces above Beta. Eg. If the stock market returned +8% and the investor returned +10%, the investor has in fact only generated +2% of alpha. **The market (beta) did +8%**: almost all of the heavy lifting on its own. However, if the stock market falls to an -8% return but the investor does not lose any money (0% return) then the alpha generated by the investor's decision is +8%.

Figure 1 shows that investors tend to attribute market gains to their own investment talent, even if gains are shared with the entire market. The confidence measure tends to be high during periods with high market returns, and vice versa. During speculative bubbles, it scores consistently rise to relatively high levels. This applies for the months immediately before the Wall Street Crash of 1929, the Great Depression starting 1937, the 'Tronics Boom in the early 1960s, the High Tech New Issues Bubble in the early 1980s, the black Monday in 1987, as well as the months before the burst of the Dotcom-bubble around the turn of the millennia and the Global Financial Crisis.

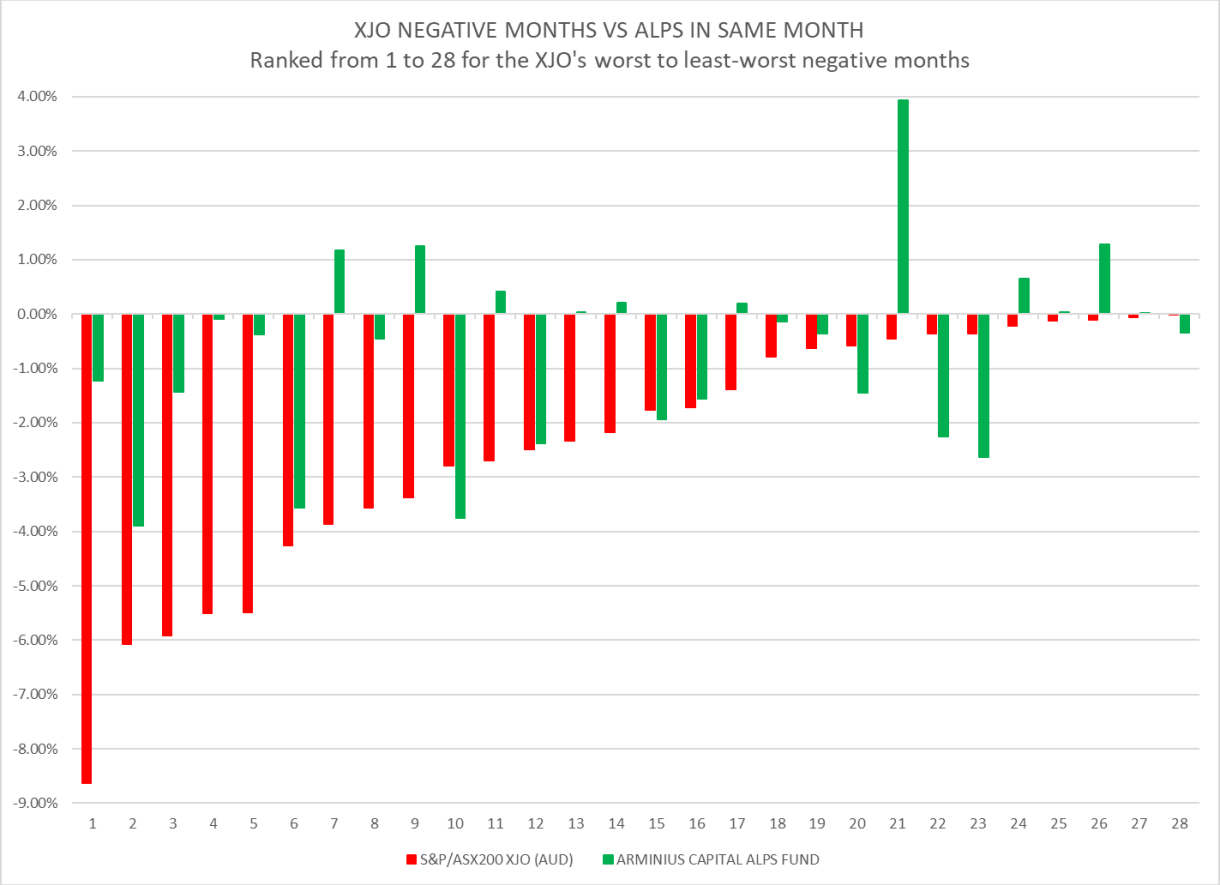
Figure 1. Monthly values of the INVCON12 index. This panel shows monthly orthogonalised scores of the INVCON12 index from July 1926 to December 2014. Raw values of the NYSE INVCON index are orthogonalised to a number of macroeconomic control variables. Following Baker and Wurgler (2006), I regress the raw scores of the INVCON index on the growth in industrial production index (Federal Reserve Statistical Release G.17), growth in consumer durables, nondurables, and services (all BEA National Income Accounts Table 2.8.5), growth in employment, changes in Consumer Price Index (both Bureau of Labour Statistics), as well as a NBER recession dummy. In order to produce this diagram only, raw scores are re-scaled, and a Hodrick-Prescott filter is applied to eliminate short-term fluctuations. A diagram of raw data can be found in the appendix.



Amongst a multitude of papers on this issue, Ibbotson (1999) does not support the view that past performance of a hedge fund manager unconditionally indicates what the future performance will be. A paper recently published by Sun et al tests for conditional indication properties of a past track record. The paper demonstrates that whilst a hedge fund's past track record is demonstrably inconclusive as to how the fund will perform in the future, when the metric of **the fund's performance vs an index's negative periods' performance** is taken, this **can** be shown to be a possible indicator of fund manager skill and therefore the possibility of prediction of the hedge fund's future outperformance persistence.

Possible predictability **information** calculated from some of the **data** in the past track record! The paper is entitled "***Only Winners in Tough Times Repeat: Hedge Fund Performance Persistence over Different Market Conditions***".

We have used this approach to observe the Arminius Capital ALPS Fund's performance vs the XJO (ASX200) in the months when the XJO recorded a negative return, for 59 months since the Fund's inception (July 2014) and present our findings in the chart below.



DATE	DATA POINT	S&P/ASX200 XJO (AUD)	ARMINIUS CAPITAL ALPS FUND	1 = OUTPERFORM 0 = UNDERPERFORM
31/08/2015	1	-8.64%	-1.23%	1
31/10/2018	2	-6.08%	-3.90%	1
30/09/2014	3	-5.92%	-1.43%	1
30/06/2015	4	-5.51%	-0.09%	1
31/01/2016	5	-5.48%	-0.38%	1
31/03/2018	6	-4.27%	-3.56%	1
30/11/2014	7	-3.86%	1.18%	1
30/09/2015	8	-3.56%	-0.45%	1
31/05/2017	9	-3.37%	1.25%	1
30/11/2018	10	-2.80%	-3.75%	0
30/06/2016	11	-2.70%	0.41%	1
29/02/2016	12	-2.49%	-2.38%	1
31/08/2016	13	-2.33%	0.03%	1
31/10/2016	14	-2.17%	0.20%	1
30/09/2018	15	-1.77%	-1.94%	0
30/04/2015	16	-1.72%	-1.55%	1
30/11/2015	17	-1.39%	0.19%	1
31/01/2017	18	-0.79%	-0.13%	1
31/03/2015	19	-0.63%	-0.36%	1
30/09/2017	20	-0.58%	-1.45%	0
31/01/2018	21	-0.45%	3.94%	1
31/12/2018	22	-0.37%	-2.26%	0
28/02/2018	23	-0.36%	-2.64%	0
31/05/2015	24	-0.22%	0.66%	1
31/08/2014	25	-0.12%	0.04%	1
31/08/2017	26	-0.11%	1.28%	1
30/06/2017	27	-0.05%	0.02%	1
31/07/2017	28	-0.02%	-0.34%	0

TOTAL MONTHS OF ALPS TRACK RECORD	59
TOTAL # XJO NEGATIVE MONTHS	28
# MONTHS THAT ALPS OUTPERFORMS	22
% MONTHS THAT ALPS OUTPERFORMS	78.6%

Whilst not daring to use the findings to predict future performance, our own track record appears to support the paper's findings, that a fund's positive returns can persist over time when it can be observed that a fund consistently outperforms an index when that index **falls**, as opposed to predicting future performance based

on outperforming an index when that index **rises**. Utilising the almost 5 year of track record data of the Arminius Capital ALPS Fund, the fund has outperformed when the ASX200 has fallen, 78% of the time.

As May has demonstrated with the US falling -6.58%, Europe falling -5.70% and Japan falling -7.45%, we would like to see our monthly performance number of +1.39% (positive returns when markets fall) repeated again many times in the future for all our investors.

Q.E.D.

Sources:

Bloomberg

Deutsche Bank

The Economist

The European Central Bank

FactSet

The Federal Reserve Bank of New York

The Financial Times

Ibbotson

Merrill Lynch

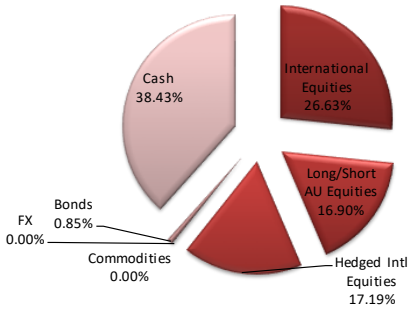
Sun et al

Swedroe & Grogan

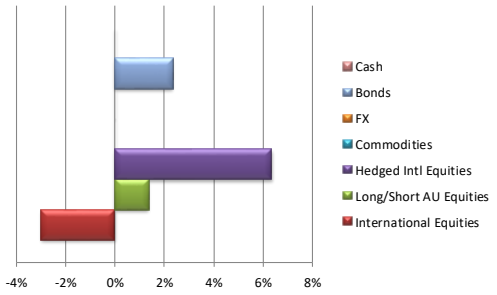
The Wall Street Journal

PERFORMANCE TABLES

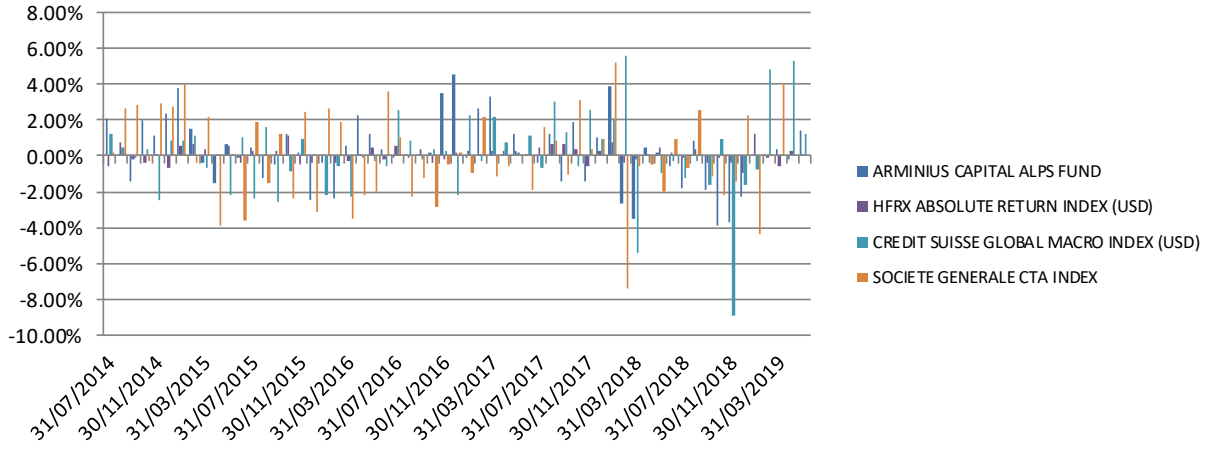
Exposure at month's end as % of NAV



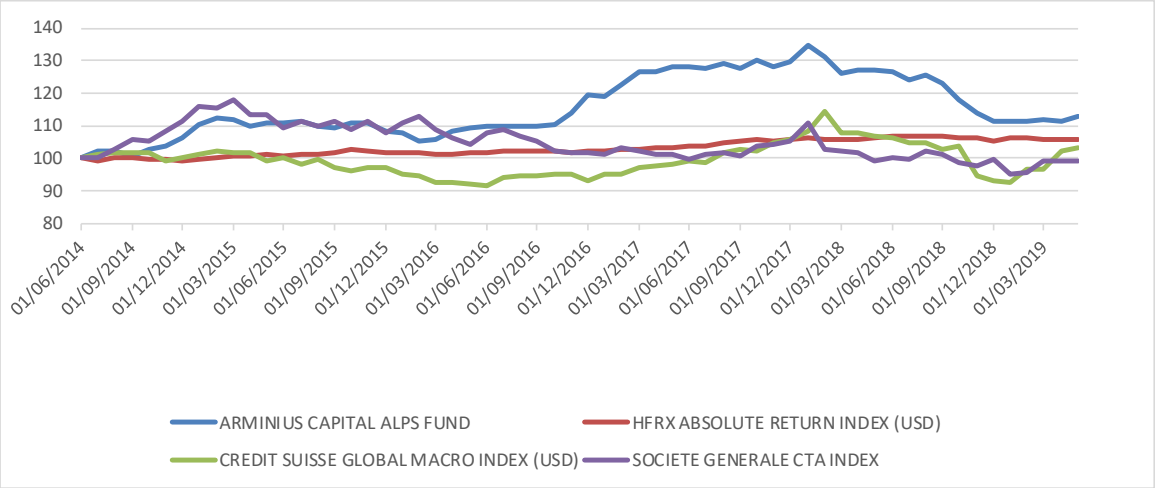
Monthly Asset Class average returns of individual constituents per SAA in domestic market currency



Monthly Performance since Inception July 2014



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



GLOBAL FINANCIAL MARKETS – MONTHLY DATA

EQUITIES	30-Apr-19	31-May-19	ROR
EUROPE			
Germany DAX (TR)	12344.1	11726.8	-5.00%
Switzerland SMI (PR)	9769.7	9524.0	-2.52%
STOXX Europe 600 (EUR)	391.4	369.1	-5.70%
FTSE 100	7418.2	7161.7	-3.46%
France CAC 40	5586.4	5207.6	-6.78%
FTSE MIB	21881.3	19802.1	-9.50%
Netherlands AEX	571.6	540.5	-5.44%
Belgium BEL 20	3743.7	3427.2	-8.45%
OMX Stockholm 30	1676.1	1510.5	-9.88%
Norway Oslo All-Share	998.5	954.6	-4.41%
Ireland ISEQ	6455.2	6079.6	-5.82%
Spain IBEX 35	9570.6	9004.2	-5.92%
Cyprus CSE General	70.8	70.6	-0.32%
AMERICAS			
S&P 500	2945.8	2752.1	-6.58%
DJ 30 Industrials	26592.9	24815.0	-6.69%
DJ 65 Composite Average	8839.5	8253.5	-6.63%
NASDAQ Composite	8095.4	7453.1	-7.93%
Russell 1000	1631.9	1524.4	-6.58%
S&P TSX	16580.7	16037.5	-3.28%
Brazil Bovespa	96353.3	97030.3	0.70%
Mexico IPC	44597.3	42749.2	-4.14%
ASIA			
S&P ASX 200	6325.5	6396.9	1.13%
Nikkei 225	22258.7	20601.2	-7.45%
Hang Seng	29699.1	26901.1	-9.42%
Korea KOSPI	2203.6	2041.7	-7.34%
FTSE Strait Times	3400.2	3117.8	-8.31%
Taiwan TAIEX	10967.7	10498.5	-4.28%
New Zealand NZX 50 (TR)	10013.8	10118.0	1.04%
Shanghai SSE Composite	3078.3	2898.7	-5.84%
China Shenzhen A Share	1711.5	1602.0	-6.40%
India S&P BSE SENSEX	39031.6	39714.2	1.75%
FTSE Bursa Malaysia KLCI	1642.3	1650.8	0.52%
Indonesia JSX	6455.4	6209.1	-3.81%

FOREIGN EXCHANGE	30-Apr-19	31-May-19	ROR
AUD/USD	0.706	0.694	-1.63%
EUR/USD	1.127	1.119	-0.71%
JPY/USD	110.994	108.266	-2.46%
GBP/USD	1.307	1.264	-3.26%
CHF/USD	0.986	1.001	1.51%
USD/CAD	0.748	0.740	-1.03%
EUR/GBP	0.862	0.885	2.64%
EUR/AUD	1.596	1.611	0.94%
USD/CHF	1.019	1.000	-1.86%
GBP/AUD	1.849	1.820	-1.56%
CBOE Volatility Index	13.12	18.71	42.61%

COMMODITIES	30-Apr-19	31-May-19	ROR
Energy			
Crude Oil WTI (NYM $/bbl) Continuous	63.91	53.50	-16.29%
Brent Crude (ICE $/bbl) Continuous	72.06	61.99	-13.97%
NY Harbor ULSD (NYM $/gal) Continuous	2.08	1.84	-11.43%
NY Harb RBOB (NYM $/gal) Continuous	2.07	1.77	-14.29%
Natural Gas (NYM $/btu) Continuous	2.58	2.45	-4.70%
Precious Metals			
Gold (NYM $/ozt) Continuous	1285.70	1311.10	1.98%
Silver (NYM $/ozt) Continuous	14.98	14.57	-2.78%
Industrial Metals			
Aluminum (LME Cash $/t)	1809.00	1761.00	-2.65%
High Grade Copper (NYM $/lbs) Continuous	6442.00	5780.50	-10.27%
Nickel (LME Cash $/t)	12360.00	12040.00	-2.59%
Iron Ore 62% CN TSI (NYM $/mt)	93.24	98.76	5.92%
Zinc (LME Cash $/t)	2934.50	2685.00	-8.50%
Agricultural			
Corn (CBT $/bu) Continuous	3.63	4.27	17.79%
Soybeans (CBT $/bu) Continuous	8.54	8.78	2.78%
Wheat (CBT $/bu) Continuous	4.29	5.03	17.32%
Cotton #2 (NYF $/lbs) Continuous	0.76	0.67	-11.39%
Sugar #11 (NYF $/lbs) Continuous	0.13	0.12	-2.05%
Indices			
GS Commodity (CME) Continuous	446.45	407.50	-8.72%
PowerShares DB Commodity Index Tracking Fund	16.09	15.13	-5.97%
db x-trackers SICAV - db x-trackers DB COMMODITY BO	14.37	14.06	-2.19%

10 YEAR SOVEREIGN YIELDS	29-Apr-19	31-May-19	Yield D
US	2.53%	2.14%	-0.39%
UK	1.15%	0.88%	-0.27%
Europe	0.00%	-0.20%	-0.20%
Australia	1.79%	1.47%	-0.32%
Belgium	0.45%	0.29%	-0.16%
Canada	1.72%	1.48%	-0.24%
Denmark	0.09%	-0.08%	-0.18%
France	0.36%	0.22%	-0.15%
Germany	0.00%	-0.20%	-0.20%
Greece	3.30%	2.89%	-0.41%
Ireland	0.55%	0.43%	-0.12%
Italy	2.59%	2.64%	0.05%
Japan	-0.05%	-0.10%	-0.05%
Netherlands	0.18%	-0.01%	-0.18%
New Zealand	1.90%	1.72%	-0.19%
Norway	1.73%	1.56%	-0.17%
Portugal	1.12%	0.81%	-0.31%
Spain	1.01%	0.72%	-0.29%
Sweden	0.14%	-0.04%	-0.18%
Switzerland	-0.33%	-0.46%	0.14%

ROR = Rate of Return
Yield D = Yield differential