MONTHLY PERFORMANCE REPORT
September 2019

GENERAL INFORMATION

Base Currency: AUD

Entity Type: Registered Managed Investment Scheme

PMs: Marcel von Pfyffer (CIO)
Neill College

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: Sargon CT Pty Ltd

Prime Broker: Interactive Brokers *(for the underlying fund).*

Auditors: Grant Thornton

NAV: $ 6,558,070.29

Unit Price: 0.8348

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

DISTRIBUTION DETAILS
Arminius Capital Management
115 Wickham St
Fortitude Valley
QLD 4006
AUSTRALIA
+61 7 3102 5775
info@arminiuscapital.com.au

The Fund returned -2.74% for the month, compared with -4.22% for the Societe Generale CTA Mutual Fund Index and -3.26% for the Credit Suisse Global Macro Index. The Fund continues to achieve its objective of being a low volatility fund as a consequence of our risk averse strategies. At the end of Q3 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 (VIX) is below its historical long term average. We expect the US dollar to continue appreciating into 2019's end 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 NOV-2016)	Arminius Capital GMMA Fund	HFRX (USD) ABSOLUTE RETURN INDEX	CREDIT SUISSE GLOBAL MACRO (USD) INDEX	SOCIETE GENERALE CTA MUTUAL FUND INDEX
1 Month	**-2.74%**	0.41%	-3.26%	-4.22%
3 Months	**-0.81%**	1.08%	6.66%	4.10%
Calendar YTD	**0.84%**	2.75%	15.52%	7.18%
1 Year	**-8.92%**	1.23%	4.49%	5.74%
2 Years	**-13.00%**	2.37%	4.60%	1.52%
Cumulative Since Inception NOV 2016	**-6.82%**	**5.76%**	**13.27%**	**6.95%**

Arminius Capital GMMA Fund (Inception NOV 2016) Returns are net of fees

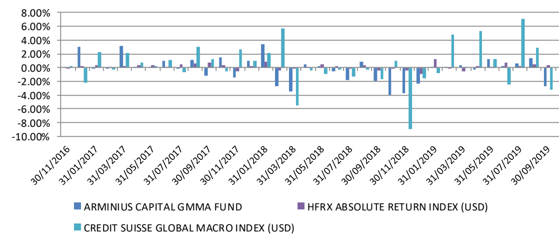
%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**CY**
2016	-	-	-	-	-	-	-	-	**INCEPTION =>**		0.08%	3.06%	3.14%
2017	-0.02%	-0.14%	3.14%	0.02%	0.06%	0.94%	-0.08%	1.07%	-1.15%	1.47%	-1.36%	0.99%	4.96%
2018	3.47%	-2.66%	-3.50%	0.46%	0.22%	-0.58%	-1.80%	0.87%	-1.95%	-3.93%	-3.75%	-2.32%	-14.65%
2019	0.06%	0.10%	0.34%	-0.24%	1.22%	0.18%	0.57%	1.41%	-2.74%	-	-	-	0.84%

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).

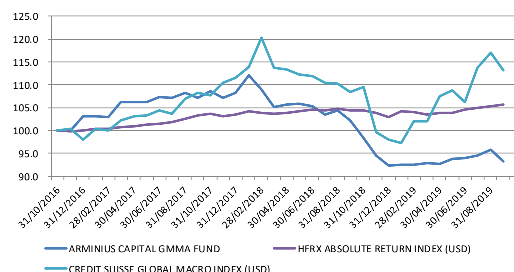
FUND OBJECTIVES: The Arminius Capital GMMA Fund invests by purchasing units in an underlying wholesale hedge fund, being the "**Arminius Capital ALPS Fund**", which provides investors with exposure to all asset classes in the global macro universe. As such, there may be some degree of difference between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

FUND PERFORMANCE

The fund fell by **-2.74%** in September. **Almost all of the -2.74% was FX loss** (due to the AUD rising against almost all other currencies that the Fund holds positions in), not nominal position losses (trades of instruments that went right or wrong). The Nikkei 225 jumped 5.08% (we were long) and the Stoxx 600 climbed 3.6% (we were long). The Anglo markets were less enthusiastic: the US S&P500 price index gained only 1.72%, and Australia's S&P/ASX200 price index was up only 1.27%. Although the US-China trade negotiations resume in Washington on 10-11 October, the two sides are still a long way apart.

In addition, the Trump Administration is rumoured to be planning to cut off the flow of US capital to Chinese markets. Under these circumstances, the Shanghai Composite price index gained only 0.66%, and the ongoing protests in Hong Kong limited the Hang Seng's rise to 1.43%.

The month was marked by three surprising events. **First, the Iranian attack on the Abqaiq oil production facility in Saudi Arabia** on 14 September disrupted oil supplies for some weeks, but its real importance is that it demonstrated how cheap drones can cause disproportionate damage. **Second, the US overnight money market recorded an interest rate spike which hasn't been seen since the GFC**, raising questions about US financial stability. **Third, US equity markets suffered an abrupt reversal to the momentum uptrend which has been in place since the GFC**. The implications of the three events are outlined in an article published on the Arminius Capital website on 2 October 2019, "Three Seismic Tremors in September."
http://arminiuscapital.com.au/three-seismic-tremors-in-september/

INVESTMENT OUTLOOK

As we have noted for several months, the global economic outlook continues to deteriorate. The contraction of global manufacturing is obvious in the chart below.

The latest economic data indicate that growth is slowing in all the major economies, as the chart below shows. The main reasons are tight controls on government spending, and a slowdown in global trade. The US-China trade war did not cause the slowdown, but it is making the situation worse. The German government is said to be planning some sort of fiscal stimulus, but the European economies are still at risk of Brexit-related disruption. The Trump Administration has no hope of getting any stimulus through the Democrat-controlled House of Representatives, which has so far refused to pass Trump's replacement for the NAFTA treaty between the US, Canada, and Mexico.

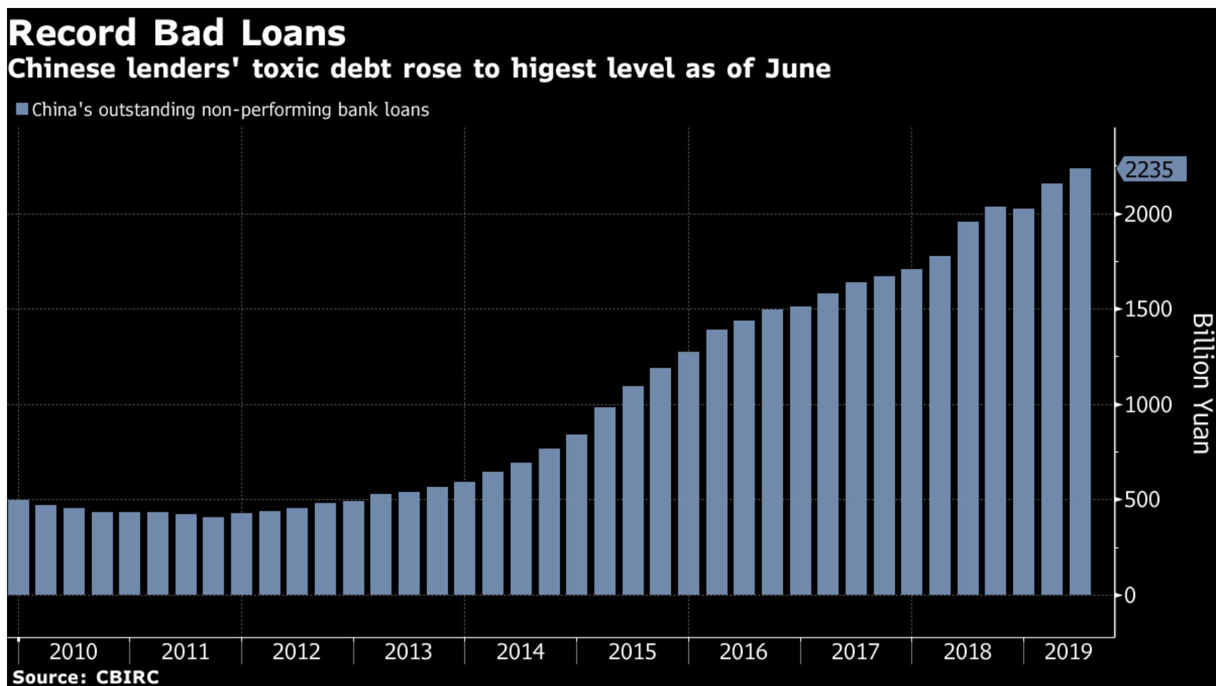
The possible impeachment of The Donald might seem like an additional problem, but it is in fact a solution. History suggests that impeaching a President does not have much effect on capital markets: Nixon's departure had no impact on the 1970s downtrend (which was caused by stagflation, the oil crisis, and war-related deficits), and Clinton's escape had no impact on the 1990s uptrend (which was caused by the tech boom, falling inflation, and government budget surpluses). If The Donald were to depart, he would be succeeded by his Vice-President, Mike Pence, who is not only well-known to Congress but also sane. The end of government by tweet and the return of comprehensible policies would certainly lift investor confidence.

It is highly unlikely that the Chinese government will come to the rescue of the global economy as it did in 2008. For the last three months a significant percentage of the managerial capability of the Chinese leadership has been devoted to ensuring that the 70th anniversary of the 1949 Liberation went off without a hitch. The Chinese Communist Party spares no effort in orchestrating its public events down to the last detail, and the 01 October anniversary was a project dear to Xi Jinping's heart. Now that the grand celebration has been successfully completed, the leadership will return to business as usual. They have a lengthy to-do list, and many of the items on the list are mutually incompatible:

- End the demonstrations in Hong Kong
- Rebuild the pork industry after the African Swine Fever disaster
- Assist private businesses which have been harmed by The Donald's tariffs
- Make sure that credit flows to the private sector instead of State-owned enterprises
- Prevent debt from rising beyond its current level of 300% of GDP
- Avoid more collapses among small regional banks
- Provide fiscal stimulus so that GDP growth meets its targets
- Reach a US-China trade agreement which does not humiliate China
- Build more islands in the South China Sea
- Keep human rights observers out of Xinjiang and Tibet
- Threaten Taiwanese voters before the Presidential election in January 2020
- Keep housing prices affordable in larger cities (not Beijing, Shanghai, or Shenzhen)
- Reduce excess housing stocks in smaller cities
- Shut down excess capacity in heavy industry (coal, steel, aluminium, chemicals)

- Minimize air pollution
- Remediate water pollution
- Prosecute corrupt officials
- Et cetera.

A US-China trade agreement is not a high priority, because the Trump tariffs have not seriously damaged the Chinese economy. In recent years, net exports (i.e., exports minus imports) have not contributed much to GDP growth. The pain of the tariffs has fallen on some export sectors in the wealthy coastal provinces, and the government has been compensating the industries involved. Most of the to-do list is about solving problems created by the Party's own past policies, such as bad loans, excess production capacity, and widespread pollution. As the chart below shows, bad loans are a very large problem, which is another reason why a big fiscal stimulus is unlikely.



Now that the US has widened the trade war to include intellectual property, cybersecurity, human rights, technological leadership, and geopolitical issues, a comprehensive settlement has become impossible, because the Chinese people will not accept a repeat of the "Century of Humiliation" (1840-1949), when foreign armies invaded China and carved out colonial territories.

The Chinese leadership would like some sort of trade truce, so as to reduce the number of problems they have to deal with, but they are not going to give the US everything it wants. It may be possible to reach a "mini-deal" limited to trade issues.

Most Traded Goods Between U.S. & China

IMPORTS | EXPORTS

Total Imports from China ($) — 40B 36B 32B 28B 24B 20B 16B 12B 8B 4B

Total Exports to China ($) — 4B 8B 12B

Imports

- Telephones for cellular networks or for other wireless networks — $43.67B
- Automatic data processing machines — $37.24B
- Tricycles, scooters & similar wheeled toys & other toys — $12.32B
- Communication apparatus — $11.25B
- Games — $5.35B
- Other Monitors — $4.71B
- Units of automatic data processing machines — $4.42B
- Electrical static converters — $4.6B
- Seats — $4.29B
- Reception apparatus for television — $4.17B

Exports

- Aeroplanes & other aircraft — $13.13B
- Soya beans — $12.46B
- Vehicles with only spark-ignition internal combustion reciprocating piston engine — $7.89B
- Electronic integrated circuits; Processors & controllers — $4.95B
- Oils — $3.97B
- Gold — $2.09B
- Machines & apparatus for the manufacture of semiconductor devices or of electronic integrated circuits — $1.92B
- Vehicles for transport of persons — $1.87B
- Petroleum gases & other gaseous hydrocarbons — $1.72B
- Copper — $1.6B

● $200M: > $32B; $12B - $32B; $4B - $12B; < $4B

● $200M: > $12B; $4B - $12B; < $4B

Articles & Sources:
https://howmuch.net/articles/trade-goods-us-china
Observatory of Economic Complexity (OEC) - https://oec.world

AUSTRALIA

The Australian economy is weak, although the recent interest rate cuts have reignited house prices. As a consequence, however, Australian monetary policy is heading into uncharted waters. On 02 October the Reserve Bank cut the official cash rate to a new record low of 0.75%pa, and in 2020 it may begin quantitative easing (QE). Investors who need income have already given up on fixed interest and moved their money to companies and property trusts, where cash yields of 5% can still be found.

The Federal Government has refused to increase spending so as to stimulate the economy. Instead, it is exhorting banks to lend more and companies to invest more. This “cheerleader” approach has been tried by many governments around the world, and it has never worked. The Australian economy is materially exposed to the US-China trade war and to the probable US recession.

FUND MANAGER COMMENTARY

1. FUND PERFORMANCE - SEPTEMBER IS THE CRUELEST MONTH - Page 6
2. US MARKETS - Page 9
3. MOMENTUM CRASH – THE "QUANT QUAKE" - Page 11
4. OVERNIGHT REPO BURSTS - Page 16
5. THE GLOBAL MACRO FUND UNIVERSE THIS MONTH - Page 19
6. WE UNWORK - Page 19

FUND PERFORMANCE THIS MONTH - SEPTEMBER IS THE CRUELEST MONTH

Almost all of the -2.72% was FX loss (due to the AUD rising against almost all other currencies that the Fund holds positions in), not nominal position losses (trades of instruments that went right or wrong). Given that our view is that the AUD is in long term decline, heading further below its current levels against the USD, we view September's large FX moves as abnormal and expect the AUD to fall against its counterparts again probably as soon as next month. This implies that losses incurred this month due to FX movements, will revert.

Chart: FX Movements by mid-month (negligible AUDGBP exposure in the Fund)

		31/08/2019	16/09/2019	IMPACT TO FUND
AUDUSD	L	0.6734	0.6866	-2.0%
AUDEUR	L	0.6125	0.6241	-1.9%
AUDJPY	L	71.5770	74.2592	-3.7%
AUDGBP	L	0.5541	0.5524	0.3%
AUDCHF	L	0.6662	0.6815	-2.3%
Average ex-GBP				-2.5%

The Saudi attacks on 14th September meant many of our global short energy positions rose very hard in the week of the attack and due to risk management protocols, we closed out these shorts as soon as possible once individual position stops were breached. Some positions gapped and traded at well into negative double-digit territory (losses for us) when markets opened after the attacks. Mid September marked the highest point of the month for AUD strength, so that meant that these shorts were closed out at a loss, in addition to the FX loss.

Chart: Distribution of Fund's Individual Positions' Returns

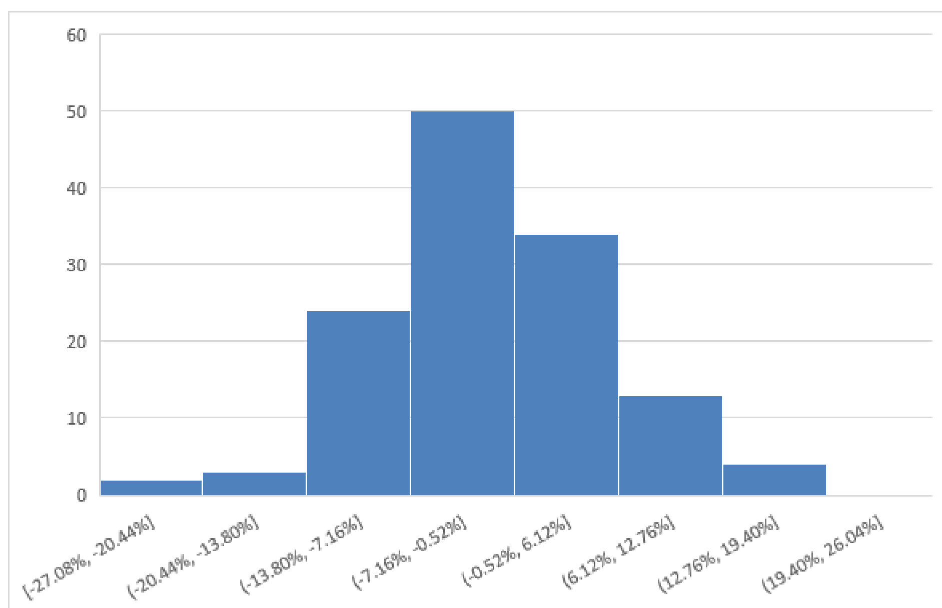
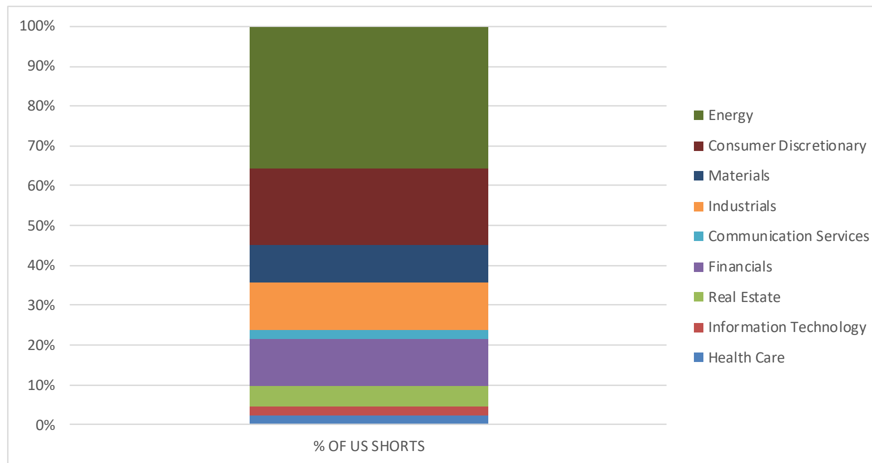
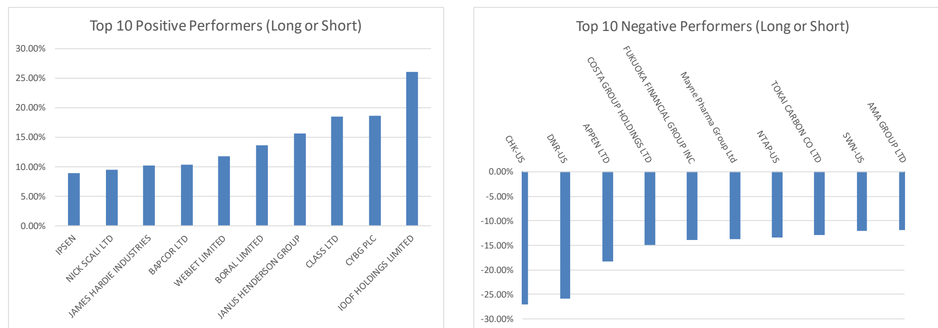


Chart: US Exposed Short Equity Sector Positions



Charts: Top 10 Positive and Negative Contributors to Fund Performance



The momentum crash or "Quant Quake" of 9th September (detailed explanation later in this document) likewise caused risk management protocols to be triggered, we closed out the shorts as soon as possible once individual position stops were breached. **The momentum crash also unfortunately occurred around the lowest point in the month of the AUD against all currencies**. See the Chart below indexed to 100 as at 31/08/2019 (to 16/09/2019). The following Chart then goes on to demonstrate the completed month's FX rebound, however we incurred loss triggers, risk management protocol was activated, and we had already closed out many positions, thereby were no longer exposed to the (at that time "potential") currency rebound.

Chart: Fund Instruments' FX exposure from 30/08/2019 to 16/09/2019. Base = 100

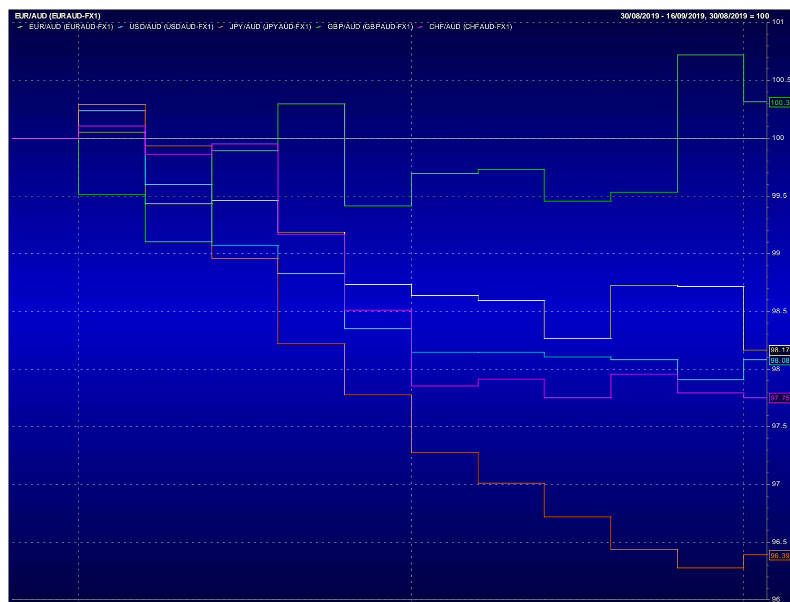
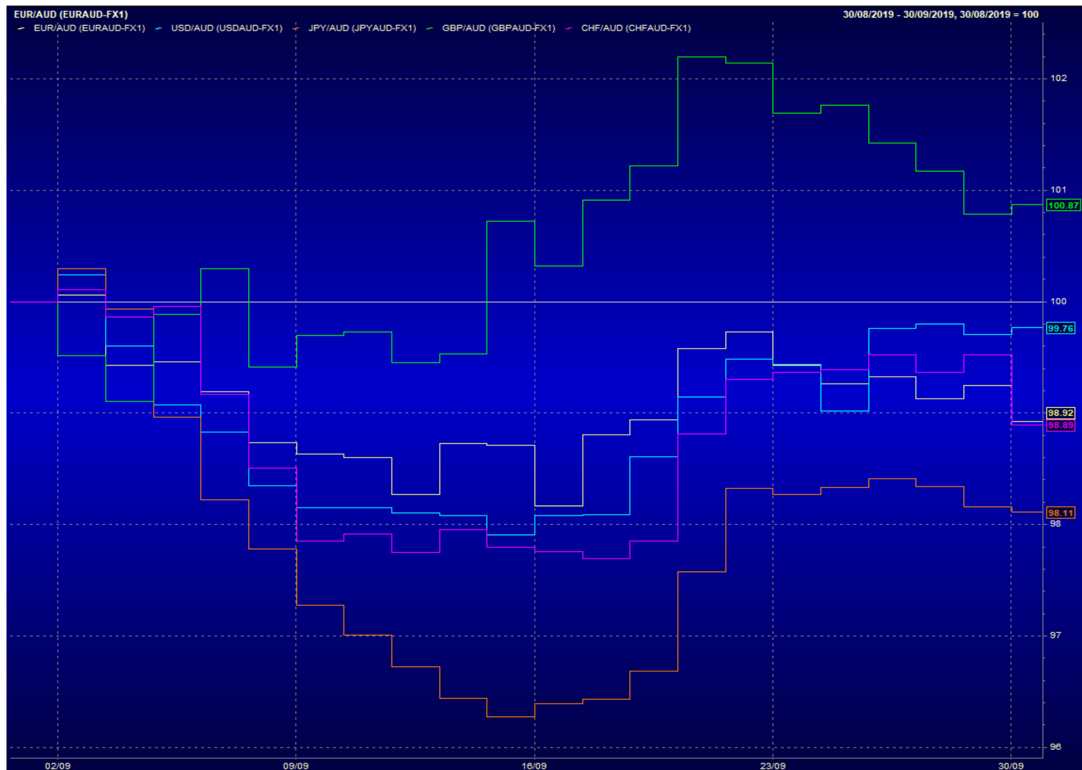
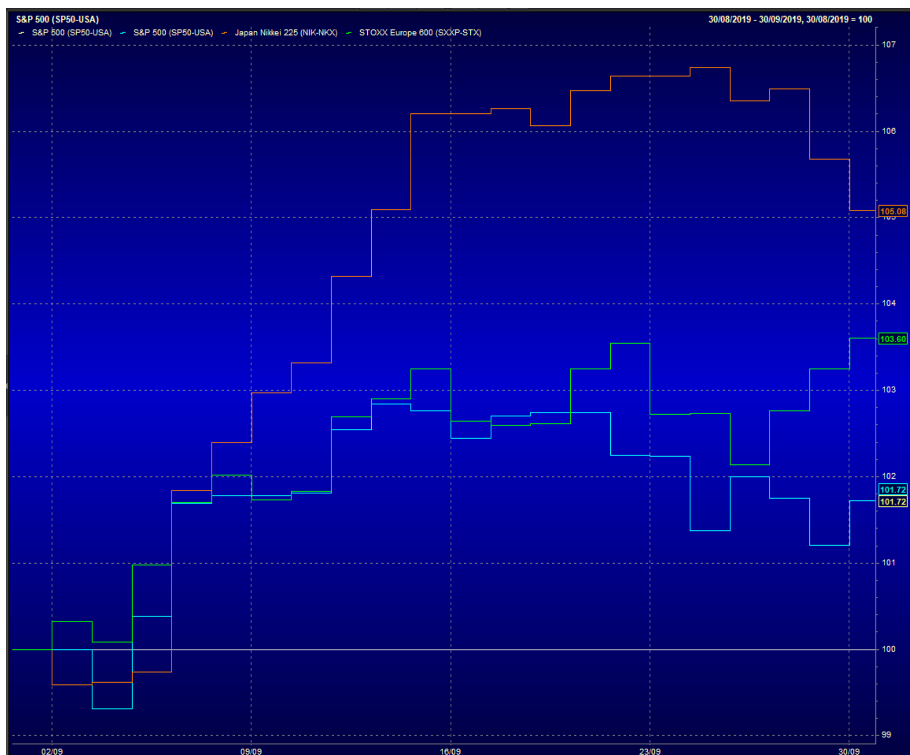


Chart : Fund Instruments' FX exposure from 30/08/2019 to 30/09/2019. Base = 100



Global equity index long positions did not reflect in any way the massive momentum price level crash of the underlying individual index constituents. i.e. We lost approx. -12% on average on our energy-related shorts bucket by mid-month, (-3.82% on average across all short positions), but the S&P500, European indices and the Nikkei **did not go up +12%** by 30th September to offset those short losses. According to JP Morgan, divergences this large between value and momentum "*has only occurred on two days in history, with the most recent recorded on one day in February 1999 during the tech bubble*". And as Morgan Stanley stated, *"one which saw the worst ever 2-day return in the sector-neutral momentum factor"*.

Chart : Major Global Equity Indices from 30/08/2019 to 30/09/2019. Base = 100



The Iranians have demonstrated that by using a 1990s era 486 motherboard, a 1 gig HD, 1MB of RAM and a 3D printer they can build a combat ready drone. Add some sensors that will pick up on either the US GPS system or the Russian GLONASS system for global coordinates to fly, so for parts totalling about $30,000 in loose change that has avoided AML/ATF compliance, they can demonstrably cut off 5% of the global oil supply for 2 weeks, leading to a price spike of +12%.

We are straying into an environment where life imitates art; we are reminded of the Bond movie "Casino Royale" in which Mads Mikkelsen's character "invests" millions via his London broker shorting a particular airline stock which is about to launch a new plane that looks a lot like an A380. He then employs a mercenary to blow up that plane the night of the "launch party" as the new plane is taxiing down the runway for its maiden flight, only to be foiled by none other than 007 himself.

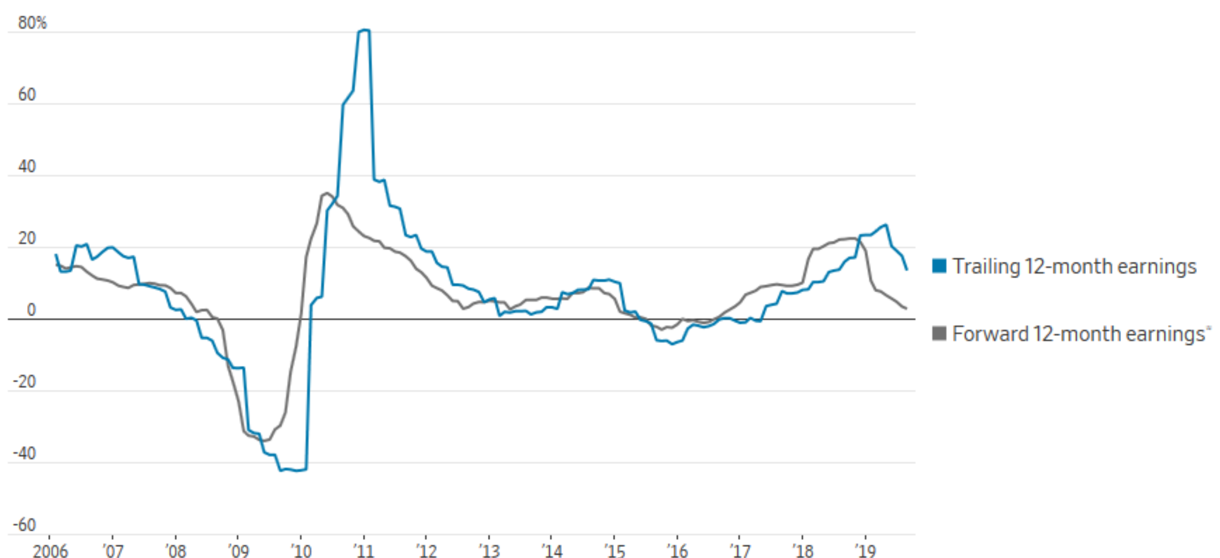
One would have to be very naïve to not believe that certain commodity futures trading accounts with very little trading activity pre-September (at what was most likely a French investment bank with offshore offices) profited heavily from Brent price rises during September.

US MARKETS

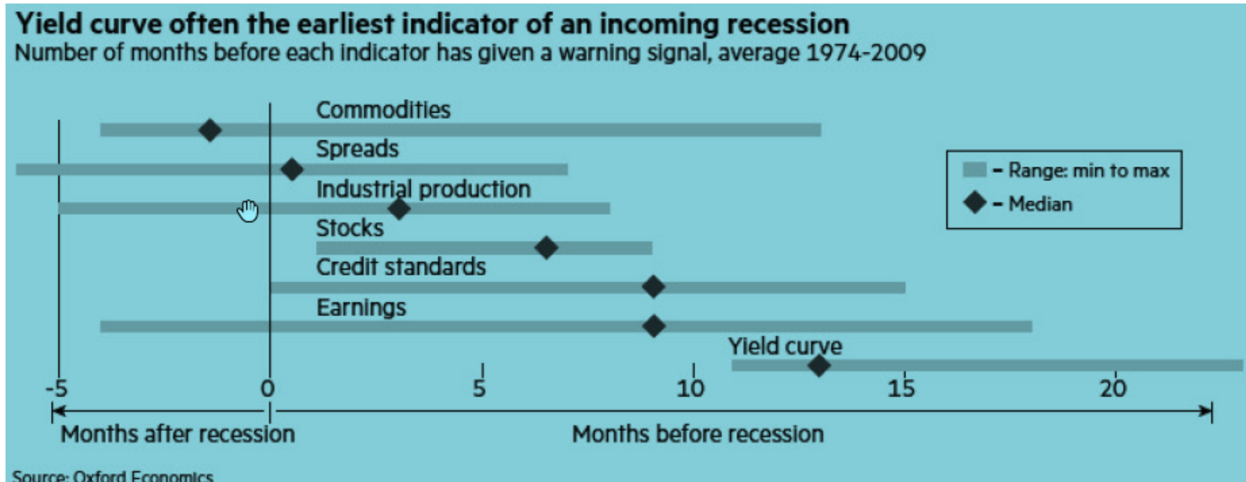
US markets continue to operate largely by the Tweet meter. Underlying fundamentals point to continuing deterioration in company earnings as shown in the below Chart, although this is not to be taken as a forecast for the real economy. As we repeatedly point out, there is very little correlation between stock markets and the economy. As we draw close to the November 2020 Presidential Election, one other issue is becoming quite clear. The Sanders Factor.

When his position weakens in the polls (either due to overtly socialist policy speeches or suffering a heart attack on stage) the stock market appears to sell off. This is not due to the fact that the stock market wants Bernie as President – it is a little more complex than that. If he falls out of the Presidential race, then his "type of votes" will go to Warren, not Biden. And the stock market does not at all like what Warren will have in store for it if she wins the US election.

Chart: US EPS Growth



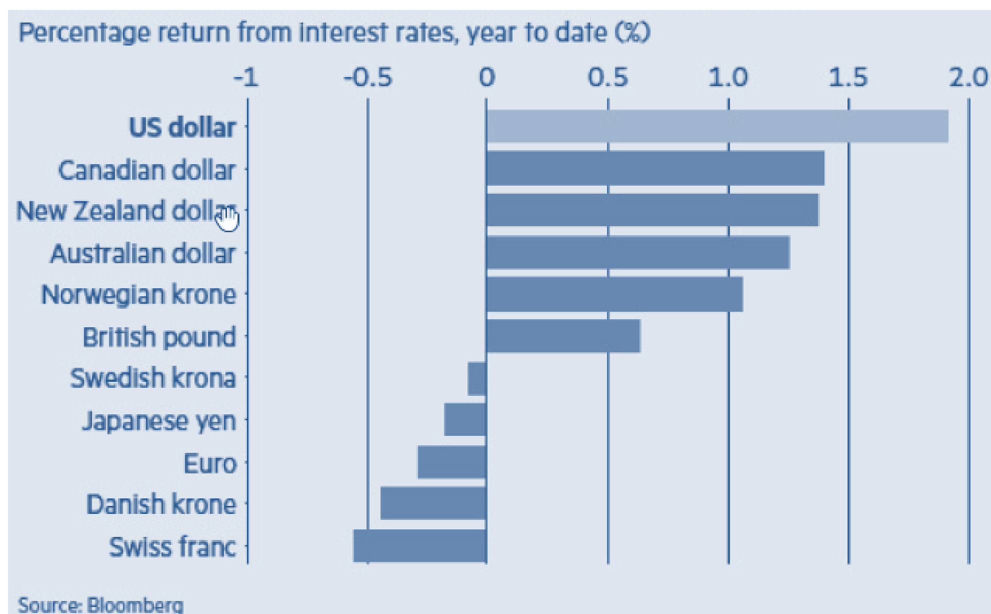
The yield curve continues to point towards a US recession, but again the timing of the onset of any recession is imprecise at best. Despite being the "earliest" predictor since 1974, the reliability of the eventual signal is suboptimal.



The Federal Reserve cut rates in September, for the second time in 2019. We tried to listen to what The Fed said in its Minutes and then after it pumped more liquidity into the system due to the Repo crisis mid-September, but all we heard was, "The Fed has not embarked upon un-QE4. Here at the Fed we are pro-unQE. That is, this is not Quantitative Easing, and this is not the 4th time we have tried it. We only tried it 3 times. This time is different. Everything is 'bon'. Now move along, please, there's nothing to see here".

A 0.25% cut moved the Federal Funds rate into the 1.75% to 2.00% range. The US economy is enjoying the lowest post-war unemployment and while interest rates continue to edge downwards, inflation is far from anyone's problem. US inflation has averaged 4.8% since 1968, with only being at 2% or lower in 9 of the past 50 years. Given the outlook of "interest rate arbitrage", our modelling continues to indicate that providing the US economy keeps performing, then all the other global central banks can kill each other in a race to the bottom, leaving the US as last man standing. There is blue sky between the US dollar and the next challenger to the "world's reserve currency" status.

Chart: % Returns from interest rates



The World's Top Reserve Currencies in 2019

Total Allocated Exchange Reserves by Currency (in $)

Article & Sources:
https://howmuch.net/articles/worlds-top-reserve-currencies-2019
International Monetary Fund - http://data.imf.org

MOMENTUM CRASH – THE "QUANT QUAKE"

In the wake of the GFC, US share markets have risen fairly steadily, with few corrections, and the leaders in this rise have been the big tech stocks such as Facebook, Apple, Netflix, and Google. Since 2009, US investors have been able to triple their money just by following the uptrend. Finance theory calls this sort of trend-following "momentum".

Then, over two days in early September, the momentum trend suddenly reversed – that is, there was a **momentum crash**. The tech stocks which had been leading the trend dropped sharply, and bond prices also fell (i.e. bond yields rose). Daily moves of this size are extremely rare: the last one occurred in February 1999 during the dotcom bubble.

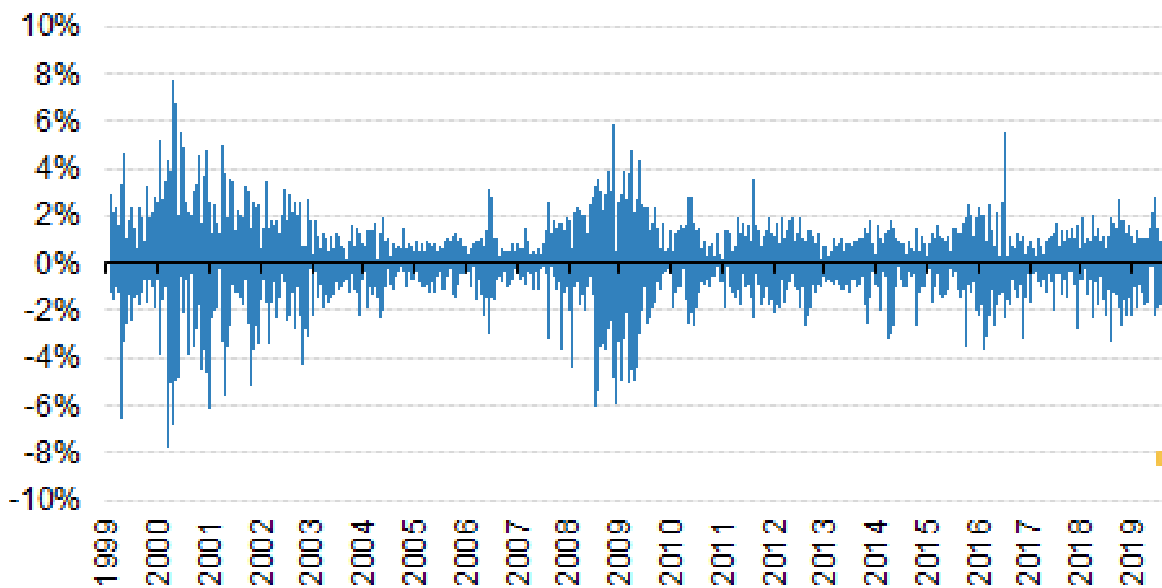
Conversely, the stocks which had been lagging behind the market suddenly outperformed, particularly the boring banks and cyclicals. The size and speed of this reversal put many portfolios into the red for the month of September, and the effect was magnified for derivatives based on the momentum stocks.

On the 9th of September 2019, *the -7.7% move in US Equities "1Y Price Momentum Factor" was the second largest drawdown in the history of our factor data going back to 1984 (the worst day being -8.2% on April 9th, 2009).* [i]

Date	NMAAPMF Index	1d
4/9/2009	149.54	-8.19%
9/9/2019	165.23	-7.65%
3/23/2009	173.10	-7.51%
3/7/2016	141.47	-7.49%
11/24/2008	239.23	-7.39%
1/3/2001	111.69	-7.20%
3/4/2016	152.92	-6.79%
3/10/2009	206.69	-6.55%
10/6/2015	158.92	-6.16%
4/12/2000	94.37	-5.89%
7/16/2008	223.39	-5.83%
7/17/2008	210.58	-5.74%
3/3/2016	164.06	-5.69%
4/18/2001	111.83	-5.58%
4/5/2001	122.60	-5.42%
3/15/2000	113.91	-5.28%
5/4/2009	121.27	-5.28%
3/18/2009	181.62	-5.15%
11/26/2008	222.33	-5.13%
5/8/2009	110.64	-5.07%
1/6/2009	179.83	-5.05%
4/3/2000	103.07	-4.92%
3/2/2016	173.96	-4.74%
12/8/2008	208.92	-4.65%
10/19/1987	21.24	-4.62%

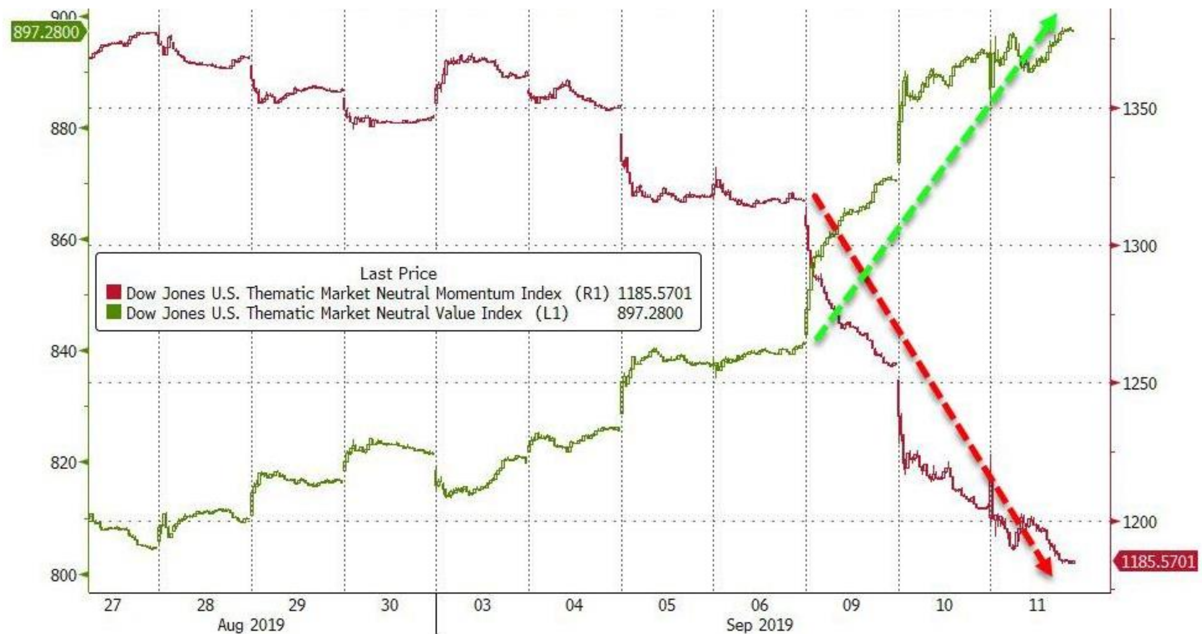
Source: Nomura

From a 2 day (consecutive) return perspective, it is in fact THE worst recorded "momentum crash" event since 1999.



Effectively there was almost complete rotation between oversold "value" stocks (read as, "falling momentum") and growth stocks. Value style investors have had a fairly dire past decade investing and so this month marked the possibility of a new dawn for value stocks.

Source: Bloomberg



Source: Bloomberg

Before moving onto other graphs showing the extreme probabilities of this event, we will voice a number of possibilities as to why this even occurred.

- Positioning prior to the expected Federal Reserve interest rate cut mid September
- Rate cut(s) could imply the Fed thinks a recession is around the corner, hence the growth stocks that propelled the S&P500 to all time highs post-GFC could be about to have their reckoning
- If interest rate cuts are enacted to stave off a heralded recession, value stocks would be seen to be more defensive in times of economic distress
- Expectation of resolution to US-China trade talks (not our professional opinion) leads to increase in manufacturing output, increasing “old economy value stocks” as opposed to “new economy tech growth stocks”.

Energy and material sector exposures (commodity futures & stocks) were particularly hit hard during the momentum crash. Clearly these two sectors have faced significant headwinds in recent times, namely USD strength and fallout from the US-China trade war. Overall, volatility has remained particularly subdued in 2019 as opposed to 2018.

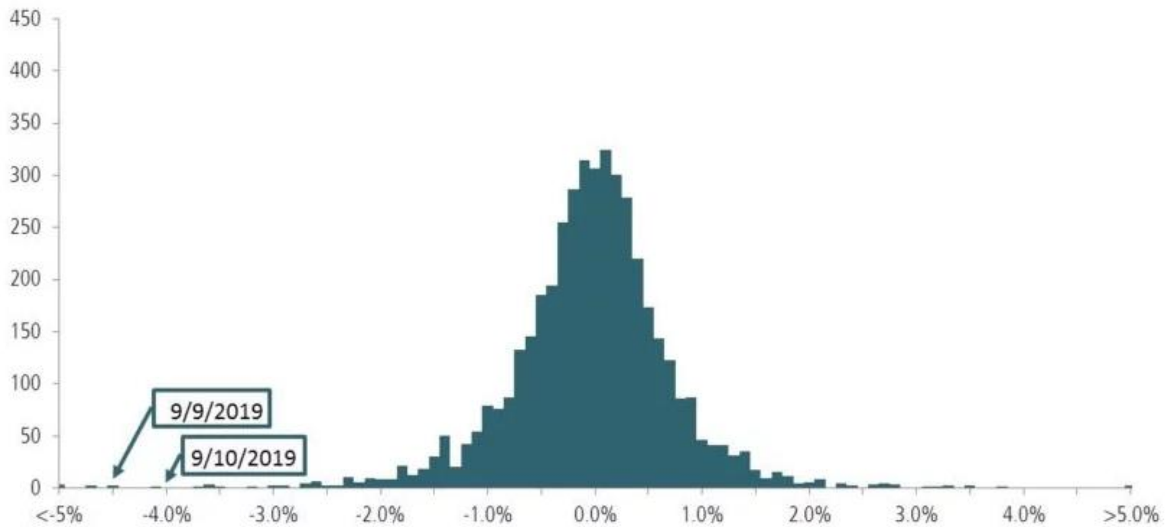


Figure 1B: Distribution or daily returns for the Dow Jones Market Neutral Momentum Index
Source: The Dow Jones Thematic Market Neutral Momentum Index, 12/31/2002 – 09/10/2019

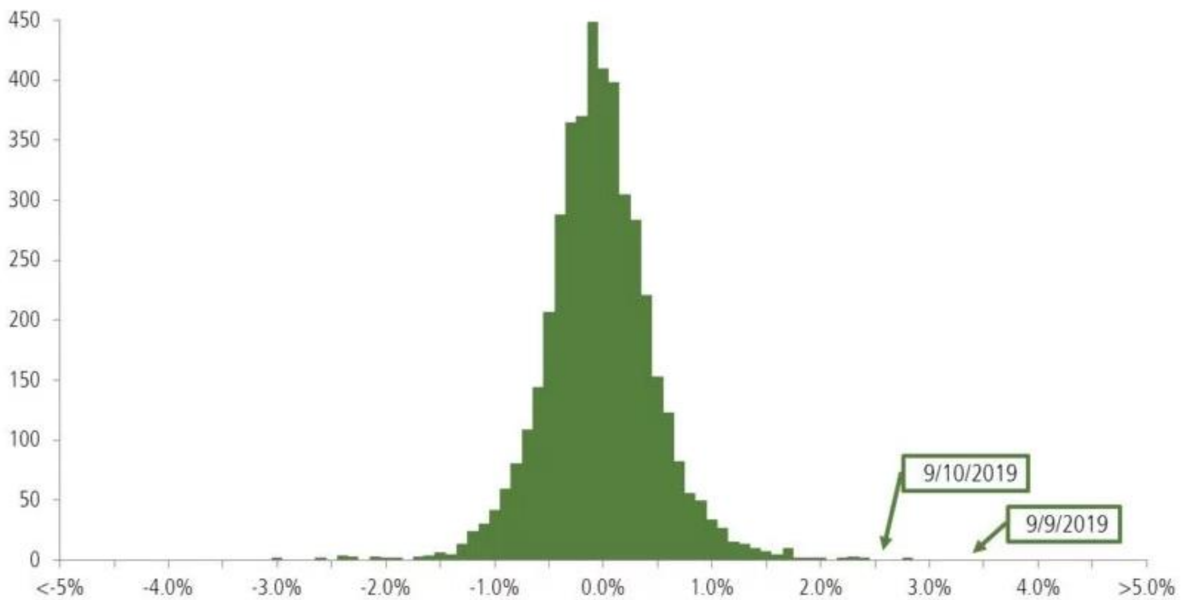
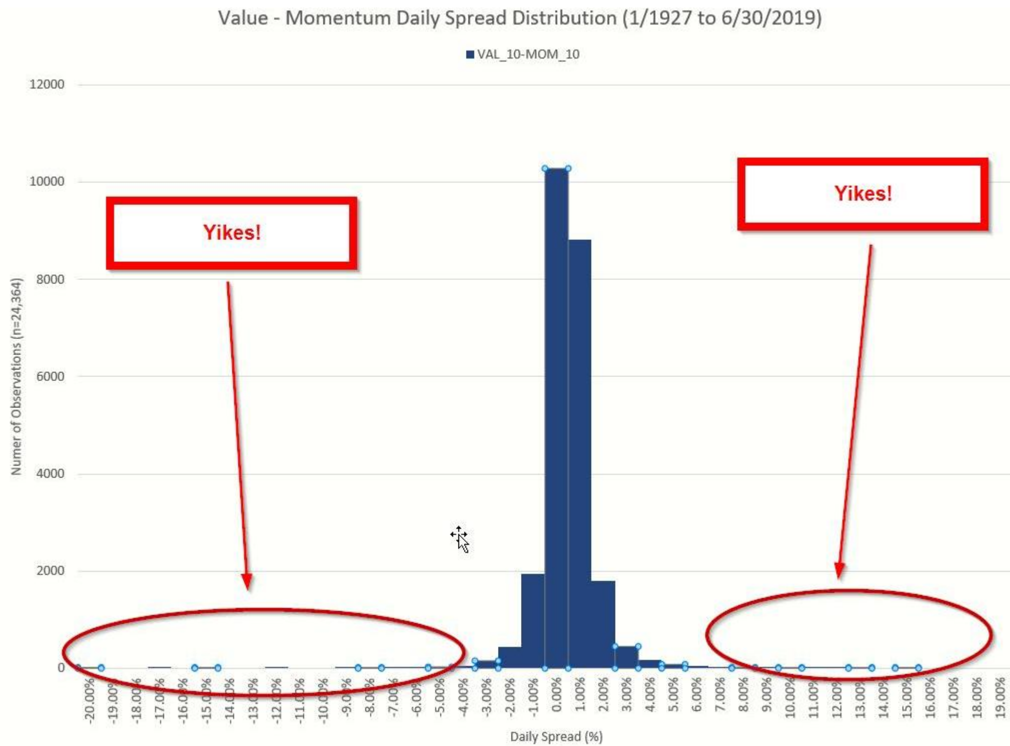


Figure 1A: Distribution or daily returns for the Dow Jones Market Neutral Value Index
Source: The Dow Jones Thematic Market Neutral Value Index, 12/31/2002 – 09/10/2019



Source: Alpha Architect

So whilst this event has been "material" in the statistical sense i.e. moves not seen since the 1980s and 1990s, what is more important is the trajectory of global economic growth. Momentum works well when underlying conditions are conducive to expansionary policies, both fiscal and monetary. Effectively, any expectations of recessionary or even slowing impacts to the economy will provide immediate rotation out of momentum (growth) stocks into value positions, until the economic condition stabilizes.

Given the current operating environment of the Fed cutting rates for reasons it either can't or won't enunciate; US Presidential Election, US-China Trade War, $16 Trillion of negatively yielding interest rates and slowing global GDP growth forecasts, these factors can explain part of the momentum crash of September. However, none of these are new issues. They were no more "new" in September than they were in June, July & August.

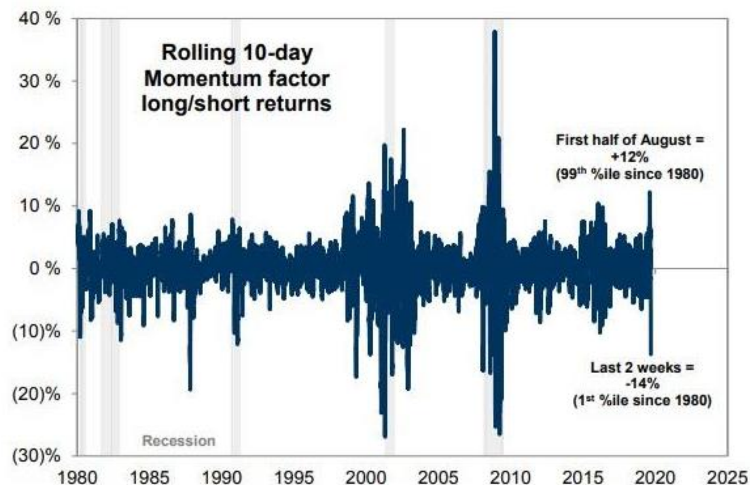


Exhibit 3: The reversal included a rotation from growth and min vol to value and small-caps

Source: Goldman Sachs Global Investment Research

We have not currently formed the view that the momentum crash of September has implicitly headlined the dawning of the new age for "value". Typically, momentum may not pick up for a number of months, following sharp reversals. However, to suggest that value is about to shine again may be premature. The US economy is hardly on its "last legs" and therefore momentum and growth may have some time yet to run before the recession-proof-my-portfolio attitude of value hunters comes to the fore.

OVERNIGHT REPO BURSTS

Arminius has previously written on this topic here: http://arminiuscapital.com.au/three-seismic-tremors-in-september/ .

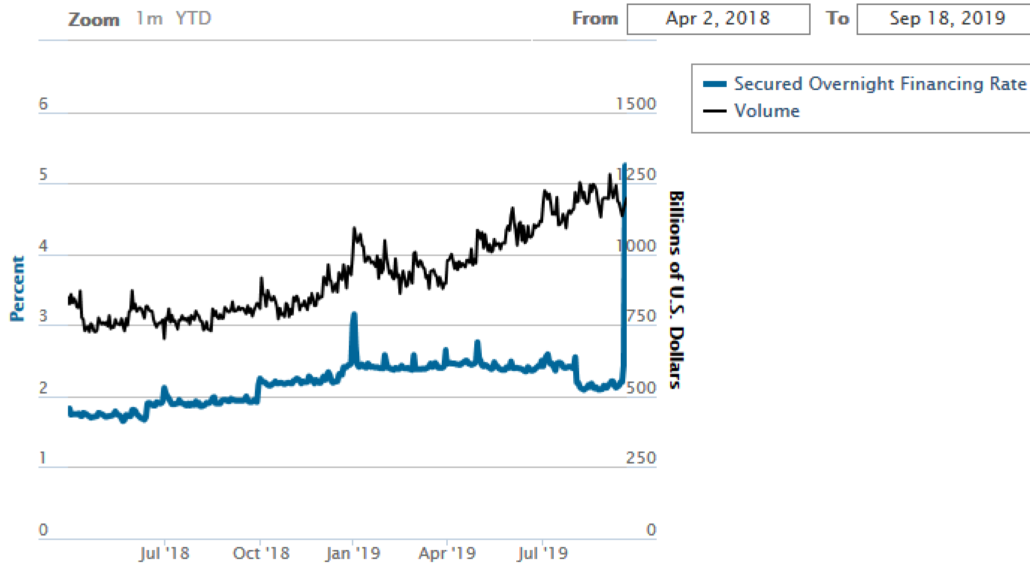
On the 16th September 2019 the repo rate suddenly spiked from 2% to 10%. The repo rate is the market interest rate which is determined by supply and demand of overnight cash, mostly traded between very large banks and very large corporations. Because the time period is so short and the quality of collateral is very high, this rate is almost always very close to the official cash rate, which the Federal Reserve had set in the range 2.00-2.25%.

Hence a spike in the repo rate suggests that there is a shortage of cash to lend because something has gone wrong with one or more of the big players in the market – the last time the repo rate spiked like this was during the GFC.

The US Federal Reserve ("the Fed") promptly shovelled cash into the repo market, in the same way as it does when it publicly delivers truckloads of cash to bank branches in order to head off a bank run. The repo market slowly settled down, and the players and the regulators tried to work out what had just happened.

The immediate cause of the cash shortage was said to be large tax payments by US corporates at a time when bank liquidity was seasonally tight (because of end-of-quarter window dressing) and US Treasury bond sales had pulled more cash out of the money markets. The Fed had not foreseen this sort of problem because US bank reserves held at the Fed stood at USD$1.4 trillion – surely adequate to meet any cash drawdown, as higher repo rates would normally encourage banks to pull their cash out of the Fed and put into the repo market. On this occasion, the banks' cash stayed where it was.

The Fed is now considering how it should change its regulation of the repo market to avoid a repeat of the cash shortage. While this matter seems like a very technical problem of financial plumbing, it is worth remembering that when household plumbing fails, there is no water. If financial plumbing fails, there is no credit, and companies start going bankrupt.



Source: New York Federal Reserve

In June 2017, the "Alternative Reference Rates Committee" selected the SOFR as its recommended alternative to US dollar LIBOR. [ii] During the last 2 recessions US LIBOR went well over current levels. SOFR is the new NYFED series that replaces their use of US LIBOR as a reference time series. I.e. the NYFED is using its own calculation methodology based on volume weighted trading median points instead of using corrupted USLIBOR rates fixed by addicted whatsapp & bloomberg messenger-using London traders suffering from delusions of grandeur eg. "My girlfriend and my wife will all stick by me through this bogus LIBOR-rate-fixing SEC trial that I'm about to go through, innit. Now where did I park my leased Aston Martin?".

However, the recent Repo dam bursting has only served to highlight the fears that swings in SOFR are making it appear as unstable as the very thing it is supposed to replace. Out of the frying pan?

THE GLOBAL MACRO FUND UNIVERSE THIS MONTH

Based on the eternal wisdom of the line "***I cannot eat relative performance dollars***", whilst we do not seek to actively compare our fund with peers, when we have an atypical monthly return, we observe.

The larger than expected movements in capital markets (i.e. not "headline equity indices") in September have been cruel to a number of very big names.

Fund Name	Domicile	September Return
Renaissance Technologies Institutional Equities	US	2.5%
Point72 Asset Management LP	US	-2.0%
Brevan Howard	Cayman Islands	-2.0%
Arminius Capital ALPS Fund	***Australia***	***-2.7%***
Winton Diversifed Fund	UK	-2.9%
Man AHL - Evolution	UK	-4.3%
Graham Capital Tactical Trend	US	-5.2%
Coatue Management LLC	US	-6.0%
Man AHL - Diversified	UK	-7.0%
Transtrend Diversified Trend Program	Netherlands	-7.1%
Tiger Global Management LLC	US	-7.4%
Gresham Investment Management	US	-7.9%
Melvin Capital Management LP	US	-8.5%
Lynx Asset Management	Sweden	-8.8%
Odey Asset Management	UK	-12.7%
Whale Rock Capital Management LLC	US	-14.0%
Average		**-6.0%**
Median		**-6.5%**

Sources: Wall Street Journal, Financial Times, Winton Capital, Arminius Capital.

WE UNWORK

It would be remiss of us to not mention one other event that brought a smile to the face of value investors world over in September; a true win for common sense and pragmatists.

Q. How do you turn $59 Billion into $10 Billion…or less?

A. Give it to this man. CEO of WeWork.

I see dead unicorns. It is now a matter of public record that he smoked weed on the company's Gulfstream jet (now sold by the Board), created his own "community" accounting metric for the IPO prospectus (don't like

GAAP EPS, Adam?) and has a distinct public fondness for tequila. A property leasing company dressed up as a "tech stock" demanding tech multiples valuation, then wanting to raise even more fairy dust money to set fire to, via an IPO. Seriously??? As the talking heads say, "This stock is literally going to zero".

81% of US companies that floated in 2018 had negative earnings. According to the University of Florida, this is the highest level since 2000. For those who remember, that was when the tech bubble burst. In the halcyon days of 2000, no less than 68% of IPOs were tech stocks. In 2018, tech stocks were only 29% of the IPO market.

The WSJ in September polled VC firms, asking "Are $1B unicorns over-valued?". The responses:

- VC firms who did have unicorns in their portfolios: 92% said "YES"
- VC firms who did not have unicorns in their portfolios: 91% said "YES"

Not to spend another second of your or our time on WeFail (even though it will be time spent laughing), if you want to read an excellent discourse on the man and company who have made a mockery of the entire VC and IPO world, we refer you to the following three articles from Scott Galloway at NYU Stern. These are the gold standard in understanding why this unicorn was actually dead from the moment it was born.

https://www.profgalloway.com/wewtf

https://www.profgalloway.com/wewtf-part-deux

https://www.profgalloway.com/yogababble

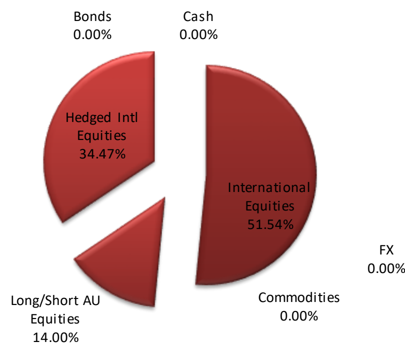
This is one of the many reasons why we only trade equities with 3 years listed history on an exchange.

Q.E.D.

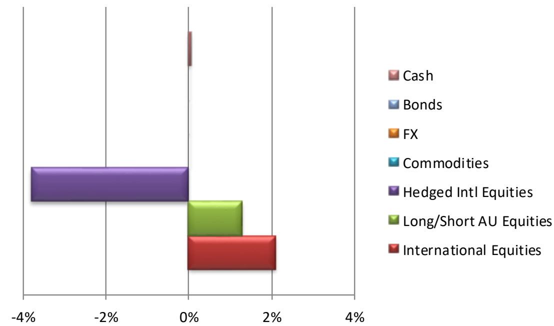
UNDERLYING FUND DATA

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



Societe Generale CTA Mutual Fund Index constituents:

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

- 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	31-Aug-19	30-Sep-19	ROR
EUROPE			
Germany DAX (TR)	11939.3	12428.1	4.09%
Switzerland SMI (PR)	9895.7	10078.3	1.85%
STOXX Europe 600 (EUR)	379.5	393.2	3.60%
FTSE 100	7207.2	7408.2	2.79%
France CAC 40	5480.5	5677.8	3.60%
FTSE MIB	21322.9	22107.7	3.68%
Netherlands AEX	558.4	580.2	3.92%
Belgium BEL 20	3570.8	3714.4	4.02%
OMX Stockholm 30	1577.0	1647.7	4.48%
Norway Oslo All-Share	955.6	987.9	3.38%
Ireland ISEQ	5879.4	6244.4	6.21%
Spain IBEX 35	8812.9	9244.6	4.90%
Cyprus CSE General	71.1	66.8	-6.08%
AMERICAS			
S&P 500	2926.5	2976.7	1.72%
DJ 30 Industrials	26403.3	26916.8	1.95%
DJ 65 Composite Average	8751.9	8961.2	2.39%
NASDAQ Composite	7962.9	7999.3	0.46%
Russell 1000	1618.6	1644.2	1.58%
S&P TSX	16442.1	16658.6	1.32%
Brazil Bovespa	101134.6	104745.3	3.57%
Mexico IPC	42622.5	43011.3	0.91%
ASIA			
S&P ASX 200	6604.2	6688.3	1.27%
Nikkei 225	20704.4	21755.8	5.08%
Hang Seng	25724.7	26092.3	1.43%
Korea KOSPI	1967.8	2063.1	4.84%
FTSE Strait Times	3106.5	3120.0	0.43%
Taiwan TAIEX	10618.1	10829.7	1.99%
New Zealand NZX 50 (TR)	10757.2	10925.6	1.57%
Shanghai SSE Composite	2886.2	2905.2	0.66%
China Shenzhen A Share	1651.7	1668.4	1.01%
India S&P BSE SENSEX	37332.8	38667.3	3.57%
FTSE Bursa Malaysia KLCI	1612.1	1583.9	-1.75%
Indonesia JSX	6328.5	6169.1	-2.52%

FOREIGN EXCHANGE	31-Aug-19	30-Sep-19	ROR
AUD/USD	0.673	0.677	0.55%
EUR/USD	1.099	1.096	-0.25%
JPY/USD	106.146	107.550	1.32%
GBP/USD	1.216	1.233	1.41%
CHF/USD	1.011	1.008	-0.24%
USD/CAD	0.751	0.756	0.73%
EUR/GBP	0.904	0.889	-1.63%
EUR/AUD	1.633	1.620	-0.79%
USD/CHF	0.990	0.998	0.86%
GBP/AUD	1.805	1.820	0.87%
CBOE Volatility Index (VIX)	18.98	16.24	-14.44%

COMMODITIES	31-Aug-19	30-Sep-19	ROR
Energy			
Crude Oil WTI (NYM $/bbl) Continuous	55.10	54.07	-1.87%
Brent Crude (ICE $/bbl) Continuous	59.25	59.25	0.00%
NY Harbor ULSD (NYM $/gal) Continuous	1.84	1.90	3.26%
NY Harb RBOB (NYM $/gal) Continuous	1.53	1.57	2.41%
Natural Gas (NYM $/btu) Continuous	2.29	2.33	1.97%
Precious Metals			
Gold (NYM $/ozt) Continuous	1529.40	1472.90	-3.69%
Silver (NYM $/ozt) Continuous	18.34	17.00	-7.33%
Industrial Metals			
Aluminum (LME Cash $/t)	1712.50	1703.50	-0.53%
High Grade Copper (NYM $/lbs) Continuous	5678.00	5728.00	0.88%
Nickel (LME Cash $/t)	17860.00	17570.00	-1.62%
Iron Ore 62% CN TSI (NYM $/mt)	90.91	92.91	2.20%
Zinc (LME Cash $/t)	2246.00	2377.00	5.83%
Agricultural			
Corn (CBT $/bu) Continuous	3.70	3.88	4.94%
Soybeans (CBT $/bu) Continuous	8.69	9.06	4.26%
Wheat (CBT $/bu) Continuous	4.63	4.96	7.19%
Cotton #2 (NYF $/lbs) Continuous	0.59	0.61	3.40%
Sugar #11 (NYF $/lbs) Continuous	0.11	0.13	13.55%
Indices			
GS Commodity (CME) Continuous	396.60	404.15	1.90%
PowerShares DB Commodity Index Tracking Fund	14.83	15.04	1.42%
db x-trackers SICAV - db x-trackers DB COMMODITY BO	13.72	13.77	0.39%

10 YEAR SOVEREIGN YIELDS	31-Aug-19	30-Sep-19	Yield D
US	1.50%	1.68%	0.18%
UK	0.46%	0.46%	0.01%
Europe	-0.71%	-0.58%	0.13%
Australia	0.89%	0.96%	0.07%
Belgium	-0.36%	-0.27%	0.09%
Canada	1.16%	1.38%	0.21%
Denmark	-0.68%	-0.56%	0.12%
France	-0.42%	-0.29%	0.12%
Germany	-0.71%	-0.58%	0.13%
Greece	1.61%	1.34%	-0.28%
Ireland	-0.10%	-0.05%	0.04%
Italy	1.02%	0.81%	-0.21%
Japan	-0.28%	-0.23%	0.06%
Netherlands	-0.57%	-0.44%	0.13%
New Zealand	1.07%	1.08%	0.01%
Norway	1.14%	1.23%	0.09%
Portugal	0.13%	0.15%	0.01%
Spain	0.11%	0.14%	0.03%
Sweden	-0.37%	-0.27%	0.10%
Switzerland	-1.03%	-0.78%	-0.25%

ROR = Rate of Return
Yield D = Yield differential

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[i] Nomura
[ii] https://www.newyorkfed.org/markets/treasury-repo-reference-rates