MONTHLY PERFORMANCE REPORT
December 2019

GENERAL INFORMATION

Base Currency: AUD

Entity Type: Registered Managed Investment Scheme

PMs: Marcel von Pfyffer (CIO)
Neill Colledge

Launch date: NOV 2016

Benchmark: 0% (Absolute Return)

Fees: 1.26% base and 10.125% performance fee ("PF"). *The PF is calculated on the excess return and is accrued monthly in the unit price and paid monthly.*

Domicile: Australia

Close of Financial Year: 30th June

Unit Pricing: Weekly

APIR: EVO0006AU platforms
EVO0005AU direct

ISIN: AU60EVO00063 platforms
AU60EVO00055 direct

ARSN: 614 078 812

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

Fund Administration: APEX Fund Services (Australia)

Fund Custodian: Sargon CT Pty Ltd

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

Auditors: Grant Thornton

NAV: $6,369,930.20

Unit Price: 0.8268

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 -1.87% for the month, compared with -2.36% for the ASX200, and -1.01% for the Societe Generale CTA Mutual Fund Index. The Fund continues to achieve its objective of being a low volatility fund as a consequence of our risk averse strategies.

Now finishing 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 2020, with the outlook for US interest rates to remain stable. Nevertheless, mis-rated debt 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	**-1.87%**	0.64%	1.28%	-1.01%
3 Months	**-0.96%**	1.57%	3.48%	-3.69%
Calendar YTD	**-0.12%**	4.37%	19.53%	3.37%
1 Year	**-0.12%**	4.37%	19.53%	3.37%
2 Years	**-14.75%**	3.86%	5.09%	1.12%
Cumulative Since Inception NOV 2016	**-7.71%**	**7.42%**	**17.21%**	**3.15%**

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).

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

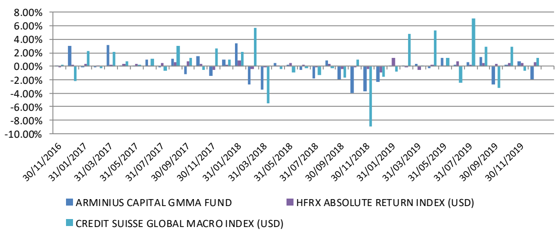
%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**CY**
2016	-	-	-	-	-	-	-	-	**INCEPTION =>**		0.08%	3.06%	3.14%
2017	-0.02%	-0.14%	3.14%	0.02%	0.06%	0.94%	-0.08%	1.07%	-1.15%	1.47%	-1.36%	0.99%	4.96%
2018	3.47%	-2.66%	-3.50%	0.46%	0.22%	-0.58%	-1.80%	0.87%	-1.95%	-3.93%	-3.75%	-2.32%	-14.65%
2019	0.06%	0.10%	0.34%	-0.24%	1.22%	0.18%	0.57%	1.41%	-2.74%	0.25%	0.68%	-1.87%	-0.12%

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).

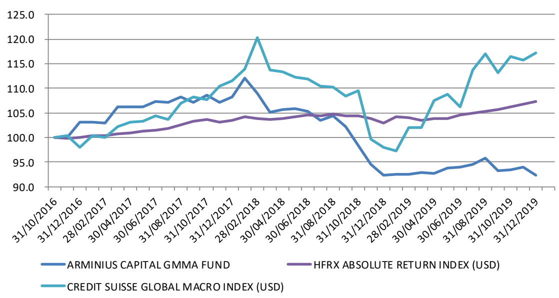
FUND OBJECTIVES: The Arminius Capital GMMA Fund invests by purchasing units in an underlying wholesale hedge fund, being the "**Arminius Capital ALPS Fund**", which provides investors with exposure to all asset classes in the global macro universe. As such, there may be some degree of difference between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



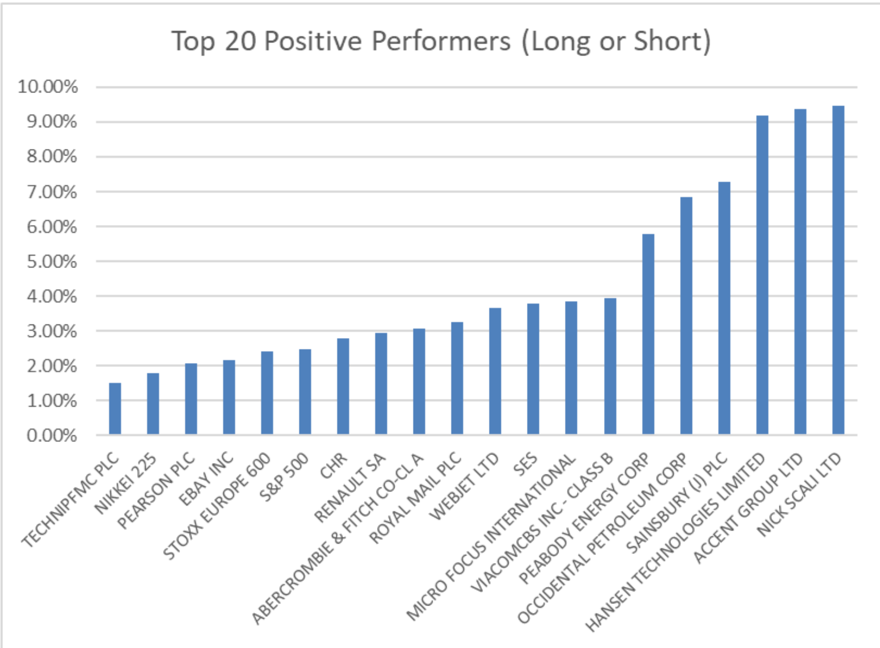
FUND MANAGER'S COMMENTARY: ***IN THE COMMENTARY TO FOLLOW, ALL DATA REFERENCES TO POSITIONS, HOLDINGS, WEIGHTINGS OR EXPOSURE ARE DATA OF THE UNDERLYING ARMINIUS CAPITAL ALPS FUND INTO WHICH THE ARMINIUS CAPITAL GMMA FUND INVESTS.***

FUND PERFORMANCE

The fund fell by -1.87% in December whilst the **S&P/ASX200 price index fell -2.36%**. Most international equity markets fared better. However, currency markets moved massively intra-month. **Australian Dollar CME futures rose +4.00% against the USD** (AUDUSD spot moved +3.73%) which was materially unhelpful to our fund's returns for December, erasing a large proportion of our hard fought CY2019 YTD gains, after our endeavours to lower the fund's volatility following 4Q2018's results.

Even with the XJO falling -2.36% and our US (vs AUD) positions falling -4.00% on FX alone, our fund yet managed to return -1.87% for the month due to both long gains and other hedged equity positions. As the AUD futures rose +4.00% against the USD, likewise the AUD rose materially against the JPY, EUR and others. Our global macro fund has exposure to a range of instruments denominated in those various currencies. We recall that in the GFC the AUD **fell** approximately -16% (negative sixteen percent) against the USD within a 4 (four) week period. The AUD is not a currency that investors flock to in times of market distress. As the table below illustrates, the fund's December 2019 loss of -1.87% is solely attributable this month to FX moves (on average) of -2.4% against our positions.

		30/11/2019	31/12/2019	IMPACT TO FUND
AUDUSD	L	0.6767	0.7038	-4.0%
AUDJPY	L	74.0801	76.2152	-2.9%
AUDEUR	L	0.6140	0.6256	-1.9%
AUDDKK	L	4.5875	4.6754	-1.9%
AUDGBP	L	0.5229	0.5291	-1.2%
Average % impact to Fund				-2.4%

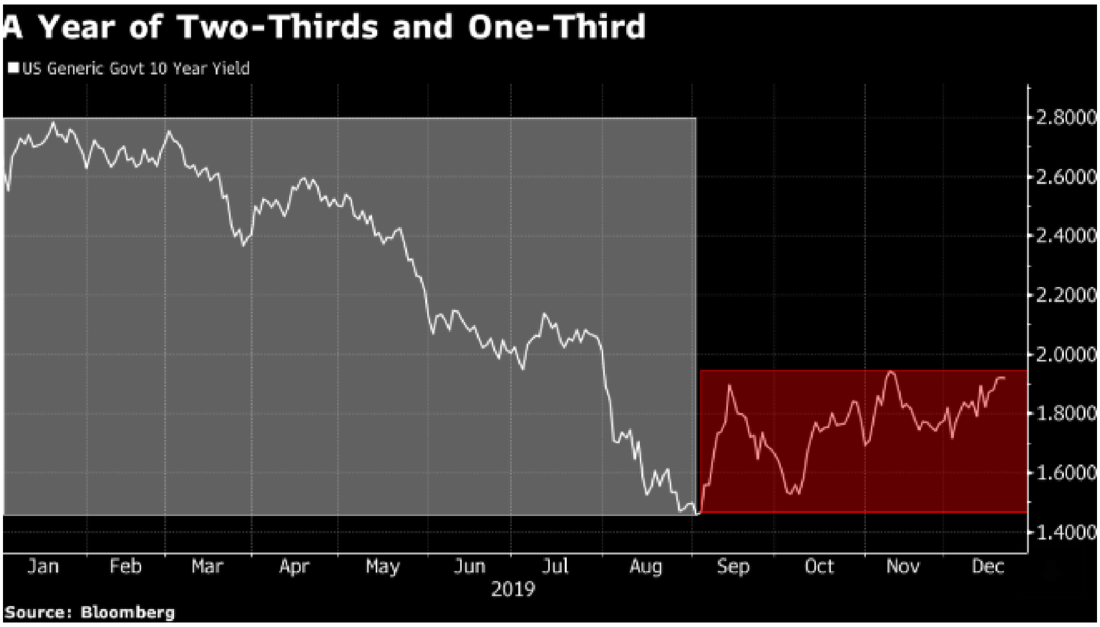


Disproportionate AUD gains across the FX board were due to the exuberant relief rally of speculators who trade the AUD as a **proxy** for "**China exposure**", with the resolution of "Phase One" of the trade deals between the US & China being announced this month (December 2019). We view this mindless enthusiasm which drove the AUD up 4% against the USD as misplaced, no matter how welcome the news was. At time of the compilation of this report **now in January 2020**, the AUD has **already** fallen back against the USD, JPY & EUR to what relative fundamentals (inflation, GDP, budgets, interest rates) deem more appropriate levels.

The US Federal Reserve has signalled that rates will most likely remain steady during 2020, whilst the RBA has openly talked about embarking upon an Australian QE ("Quantitative Easing") program at some stage, noting that 1991-92 marked the last observance of an Australian recession.

As Phase One trade deal optimism boosted the AUD and sunk the XJO, globally - in contrast - a surge of optimism among US investors pushed the S&P500 price index up 2.86%, setting a new record of 3240 on 27 December 2019. The European Stoxx 600 price index was not far behind, rising 2.06% over the month and also setting a new record of 420 on 27 December. Japan's Nikkei 225 price index gained 1.56%. Chinese markets performed strongly as investors came to believe that a truce in the US-China trade war would really be signed in January: the Shanghai Composite price index jumped 6.20%, and the Hong Kong Hang Seng leaped 7.00% in the pleasant absence of any university students being shot dead by police during the last month of calendar 2019.

INVESTMENT OUTLOOK



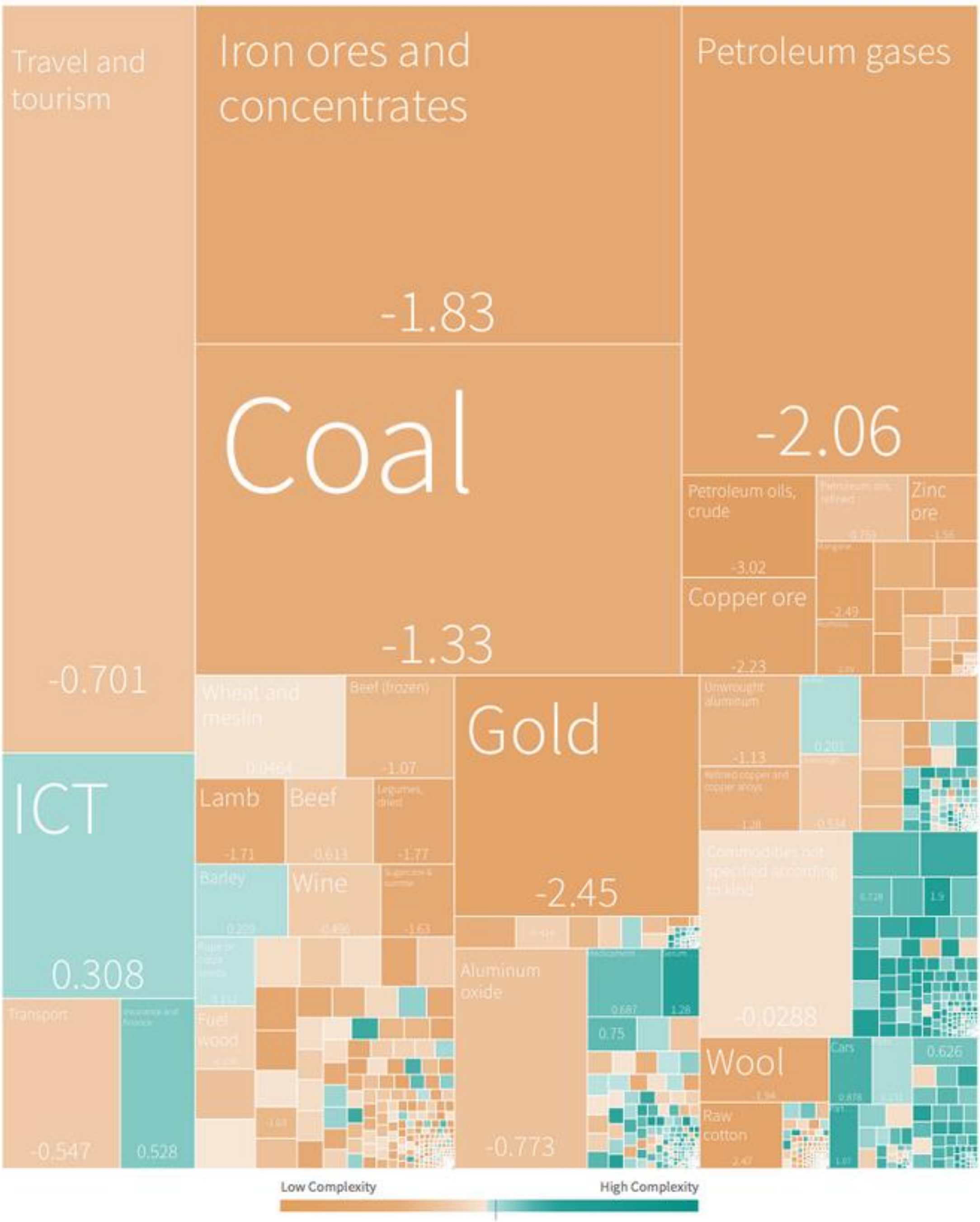
The chart above shows how the yield on the US ten-year bond changed during 2019. From a peak of 2.80% at year-start, it fell as low as 1.48% in early September before flattening out. The fall in bond yields made US equities more attractive to investors even though US corporate profits were falling. In effect, share markets rose in 2019 because of interest rate cuts, not because of earnings growth.

The global economic outlook for 2020 is modestly positive. Our forecasts for the major economic blocs are set out in the table below. In Australia, growth will be boosted by the housing recovery, but held back by drought and bushfires. In China, GDP will come in close to 6.0% as planned, while pork prices will cause a temporary spike in the CPI. Europe seems to have escaped recession, and the Brexit disruption is probably postponed to 2021. Japan is enjoying a pickup in activity in advance of the Tokyo Olympics. In the US, some stimulus is likely before November's Presidential election.

OUTLOOK FOR 2020	GDP growth (%pa)	CPI inflation (%pa)
Australia	2.5	1.8
China	5.9	4.0
Europe	0.7	1.6
Japan	0.8	0.7
USA	2.4	1.8

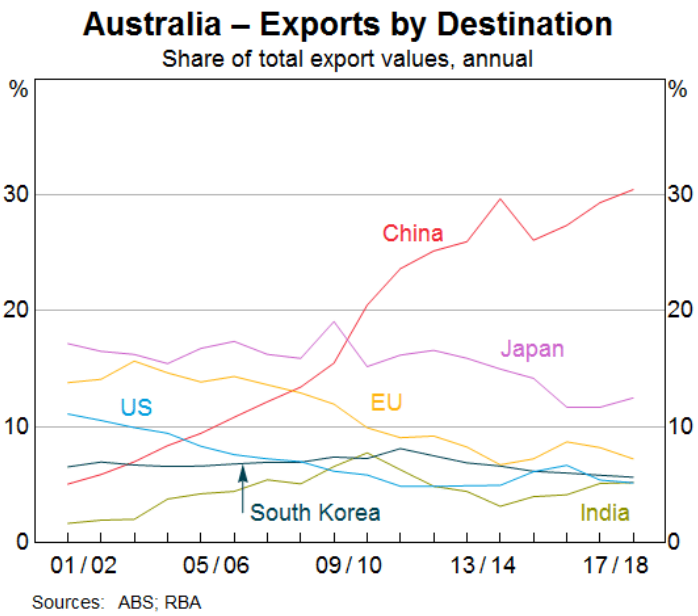
In both Australia and the US, 2019 GDP growth was disappointing. US real GDP grew by only 2.0% in the year to June and 2.1% in the year to September. **S&P500 earnings per share actually fell**.

Australian real GDP grew by only 1.6% in the year to June and 1.7% in the year to September. Earnings per share growth in the S&P/ASX200 was only 2%, mostly from the **resources sector**. The graphic to follow shows why; without overstating the obvious, coal, iron ore, gold and petroleum gases are incredibly significant to the Australian economy. Data is compiled by Harvard University's Growth Lab with results being a "Country Complexity Ranking". http://atlas.cid.harvard.edu/rankings The smaller the ranking number, (1 being smallest) the more complex the economy is, with a wide variety of exports with low ubiquity and high sophistication. Globally, **Japan ranks 1st**, with **Switzerland 2nd**. The larger the ranking number (Nigeria is 130), the less complex the economy is, with a low variety of exports with high ubiquity and low sophistication. **Australia ranks 93rd** in the world, but still manages to beat **Pakistan at 94th** (and also beats Venezuela, Ethiopia and… Nigeria). Perhaps one day Australia may increase value-add to its exports.

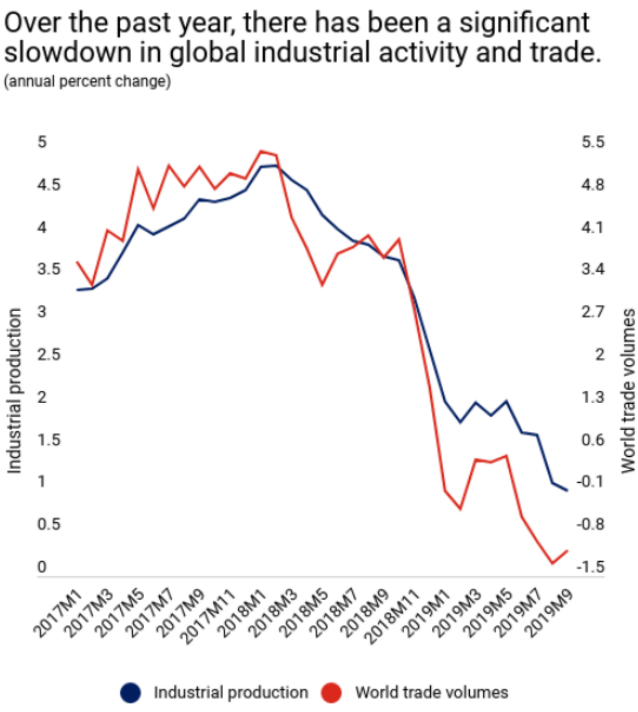


Source: Harvard University, Visual Capitalist

Papers prepared by the RBA in 2019 present a simple function: **a 5% drop in China's GDP would result in a 2.5% drop in Australia's GDP**. https://www.rba.gov.au/publications/bulletin/2019/jun/spillovers-to-australia-from-the-chinese-economy.html



As the IMF chart below shows, the fundamental problem in the world economy is that trade volumes and industrial production have been dropping like stones since mid-2018. The US-China trade war has contributed to the falls, but the main cause seems to be a broad-based lack of consumer demand, despite near-zero interest rates in many countries. For example, in 2018 and 2019 new car sales fell by 5% to 10% per year in countries as diverse as Australia, China, the EU, and the US.



Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics; and IMF staff calculations.
Note: Industrial production and trade are shown as a three-month moving average percent change from one year ago.

The consensus forecast for US earnings growth for 2020 is currently 9.6%, based on 5.4% sales growth and an improvement in margins. We expect that the actual figure will turn out to be around 6% EPS growth. It is normal for the initial optimistic forecasts of CEOs and analysts to be revised downward repeatedly as they collide with the reality of quarterly profit results.

The chart below shows the 12-month-forward price-earnings ratio for the US S&P500 since 2010. The rise during 2019 from 14x to 18x represents a 29% increase: not coincidentally, 29% is the 2019 return on the S&P500. That is, investors ignored the weakness in corporate profits and bid share prices up anyway.

The chart also makes it obvious that the S&P500 P/E is near its highest level in the last decade. The only time it was higher was at the start of 2018, a year when the US market suffered a sharp correction.

The European and Japanese share markets continue to be cheaper than the US. Although the GDP growth rates in these economies are lower, there are signs of major policy changes. In December, the Japanese government announced a $180bn stimulus package, which was intended to offset the effects of the US-China trade war and the October 2019 increase in the national sales tax from 8% to 10%. In addition, this year Japan will benefit from the Tokyo Olympics.

The US and China will sign a "Phase One" agreement on 15 January, marking a truce in their trade war. The agreement does nothing to solve the underlying economic, financial, political, military and cultural conflicts between the two nations. The US has rolled back some of the tariffs it had imposed, and agreed not to impose any more (for the time being). China has committed to buying more US goods (especially in agriculture), promised to enforce intellectual property rights better, and committed to opening its financial markets to foreign entrants.

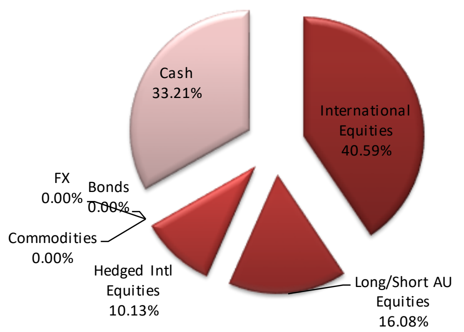
The Phase One agreement is the result of The Donald's need – before the November elections – to announce a victory in the trade war that he started. The Chinese side has gone along with him because it has plenty of other problems on its plate right now. It is highly unlikely that there will be a Phase Two agreement any time soon. It is much more likely that in 2021 The Donald or a Democratic President will find domestic political advantages in re-starting the trade war by claiming that the Chinese have not lived up to their side of the bargain. In the meantime, the Phase One agreement is a positive for the global economy in 2020.

Q.E.D.

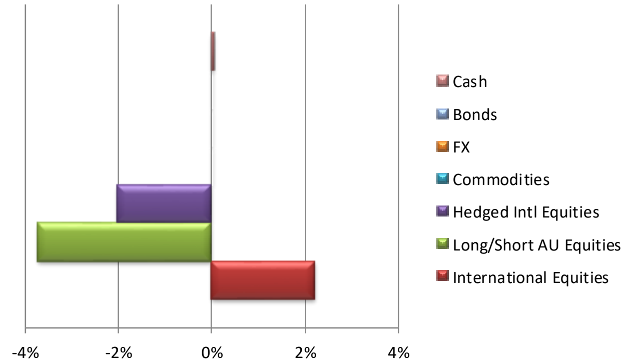
UNDERLYING FUND DATA

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	30-Nov-19	31-Dec-19	ROR
EUROPE			
Germany DAX (TR)	13236.4	13249.0	**0.10%**
Switzerland SMI (PR)	10493.2	10616.9	**1.18%**
STOXX Europe 600 (EUR)	407.4	415.8	**2.06%**
FTSE 100	7346.5	7542.4	**2.67%**
France CAC 40	5905.2	5978.1	**1.23%**
FTSE MIB	23259.3	23506.4	**1.06%**
Netherlands AEX	597.3	604.6	**1.22%**
Belgium BEL 20	3906.7	3955.8	**1.26%**
OMX Stockholm 30	1730.3	1771.9	**2.40%**
Norway Oslo All-Share	998.1	1032.2	**3.43%**
Ireland ISEQ	6998.1	7183.4	**2.65%**
Spain IBEX 35	9352.0	9549.2	**2.11%**
Cyprus CSE General	66.6	65.1	**-2.28%**
AMERICAS			
S&P 500	3141.0	3230.8	**2.86%**
DJ 30 Industrials	28051.4	28538.4	**1.74%**
DJ 65 Composite Average	9233.8	9386.5	**1.65%**
NASDAQ Composite	8665.5	8972.6	**3.54%**
Russell 1000	1736.8	1784.2	**2.73%**
S&P TSX	17040.2	17063.4	**0.14%**
Brazil Bovespa	108233.3	115645.3	**6.85%**
Mexico IPC	42820.2	43541.0	**1.68%**
ASIA			
S&P ASX 200	6846.0	6684.1	**-2.36%**
Nikkei 225	23293.9	23656.6	**1.56%**
Hang Seng	26346.5	28189.8	**7.00%**
Korea KOSPI	2088.0	2197.7	**5.25%**
FTSE Strait Times	3193.9	3222.8	**0.91%**
Taiwan TAIEX	11489.6	11997.1	**4.42%**
New Zealand NZX 50 (TR)	11316.6	11491.9	**1.55%**
Shanghai SSE Composite	2872.0	3050.1	**6.20%**
China Shenzhen A Share	1666.5	1802.3	**8.15%**
India S&P BSE SENSEX	40793.8	41253.7	**1.13%**
FTSE Bursa Malaysia KLCI	1561.7	1588.8	**1.73%**
Indonesia JSX	6011.8	6299.5	**4.79%**

FOREIGN EXCHANGE	30-Nov-19	31-Dec-19	ROR
AUD/USD	0.677	0.704	**4.00%**
EUR/USD	1.103	1.128	**2.31%**
JPY/USD	109.331	108.161	**-1.07%**
GBP/USD	1.294	1.329	**2.74%**
CHF/USD	1.001	1.040	**3.86%**
USD/CAD	0.753	0.771	**2.38%**
EUR/GBP	0.852	0.849	**-0.42%**
EUR/AUD	1.630	1.603	**-1.63%**
USD/CHF	1.000	0.967	**-3.29%**
GBP/AUD	1.912	1.890	**-1.16%**
CBOE Volatility Index (VIX)	12.62	13.78	**9.19%**

COMMODITIES	30-Nov-19	31-Dec-19	ROR
Energy			
Crude Oil WTI (NYM $/bbl) Continuous	55.17	61.06	**10.68%**
Brent Crude (ICE $/bbl) Continuous	60.49	66.00	**9.11%**
NY Harbor ULSD (NYM $/gal) Continuous	1.88	2.02	**7.68%**
NY Harb RBOB (NYM $/gal) Continuous	1.59	1.69	**6.25%**
Natural Gas (NYM $/btu) Continuous	2.28	2.19	**-4.03%**
Precious Metals			
Gold (NYM $/ozt) Continuous	1465.60	1523.10	**3.92%**
Silver (NYM $/ozt) Continuous	16.97	17.92	**5.61%**
Industrial Metals			
Aluminum (LME Cash $/t)	1785.50	1800.00	**0.81%**
High Grade Copper (NYM $/lbs) Continuous	5854.00	6156.00	**5.16%**
Nickel (LME Cash $/t)	13810.00	14000.00	**1.38%**
Iron Ore 62% CN TSI (NYM $/mt)	84.68	91.53	**8.09%**
Zinc (LME Cash $/t)	2312.50	2293.00	**-0.84%**
Agricultural			
Corn (CBT $/bu) Continuous	3.81	3.88	**1.70%**
Soybeans (CBT $/bu) Continuous	8.77	9.56	**8.98%**
Wheat (CBT $/bu) Continuous	5.42	5.59	**3.14%**
Cotton #2 (NYF $/lbs) Continuous	0.65	0.69	**5.65%**
Sugar #11 (NYF $/lbs) Continuous	0.13	0.13	**3.71%**
Indices			
GS Commodity (CME) Continuous	410.55	435.85	**6.16%**
PowerShares DB Commodity Index Tracking Fund	15.31	15.95	**4.18%**
db x-trackers SICAV - db x-trackers DB COMMODITY BO	13.73	14.45	**5.24%**

10 YEAR SOVEREIGN YIELDS	30-Nov-19	31-Dec-19	Yield D
US	1.78%	1.92%	**0.14%**
UK	0.71%	0.82%	**0.12%**
Europe	-0.35%	-0.19%	**0.16%**
Australia	1.04%	1.38%	**0.34%**
Belgium	-0.05%	0.08%	**0.14%**
Canada	1.47%	1.70%	**0.23%**
Denmark	-0.33%	-0.16%	**0.18%**
France	-0.04%	0.12%	**0.16%**
Germany	-0.35%	-0.19%	**0.16%**
Greece	1.42%	1.43%	**0.01%**
Ireland	0.05%	0.12%	**0.07%**
Italy	1.23%	1.42%	**0.18%**
Japan	-0.08%	-0.02%	**0.06%**
Netherlands	-0.21%	-0.06%	**0.15%**
New Zealand	1.29%	1.66%	**0.36%**
Norway	1.38%	1.54%	**0.17%**
Portugal	0.41%	0.43%	**0.03%**
Spain	0.42%	0.46%	**0.04%**
Sweden	0.01%	0.15%	**0.14%**
Switzerland	-0.63%	-0.50%	**-0.13%**

ROR = Rate of Return
Yield D = Yield differential