MONTHLY PERFORMANCE REPORT
August 2020

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: $5,587,167.74

Unit Price: 0.8324

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 +0.19% for the month, compared with 0.31% for the Societe Generale CTA Mutual Fund Index. The Fund continues to achieve its objective of being a low volatility fund with low correlation to equity markets.

We expect the US federal budget deficit as a % of GDP to increase to record levels through 2020 due to Coronavirus stimulus packages. Imminent re-rating of global debt implies an outlook of more defaults in lower-quality sovereign and corporate bonds.

PERFORMANCE (Inception NOV-2016)	Arminius Capital GMMA Fund	BARCLAY UCITS GLOBAL MACRO INDEX	CREDIT SUISSE GLOBAL MACRO (USD) INDEX	SOCIETE GENERALE CTA MUTUAL FUND INDEX
1 Month	**0.19%**	1.94%	4.27%	0.31%
3 Months	**-0.76%**	3.91%	6.57%	-0.30%
Calendar YTD	**0.58%**	-3.87%	-11.26%	0.31%
1 Year	**-3.11%**	-2.12%	-11.16%	-7.33%
3 Years	**-14.32%**	0.38%	-2.69%	1.47%
Cumulative Since Inception NOV 2016	**-7.18%**	**1.21%**	**4.02%**	**1.14%**

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

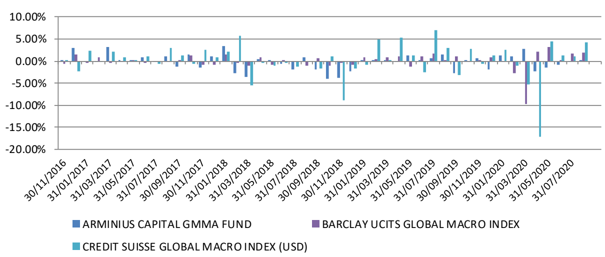
%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**CY**
2016	-	-	-	-	-	-	-	-	**INCEPTION =>**		0.08%	3.06%	3.14%
2017	-0.02%	-0.14%	3.14%	0.02%	0.06%	0.94%	-0.08%	1.07%	-1.15%	1.47%	-1.36%	0.99%	4.96%
2018	3.47%	-2.66%	-3.50%	0.46%	0.22%	-0.58%	-1.80%	0.87%	-1.95%	-3.93%	-3.75%	-2.32%	-14.65%
2019	0.06%	0.10%	0.34%	-0.24%	1.22%	0.18%	0.57%	1.41%	-2.74%	0.25%	0.68%	-1.87%	-0.12%
2020	1.35%	1.09%	2.74%	-2.32%	-1.43%	-0.83%	-0.12%	0.19%					0.58%

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).

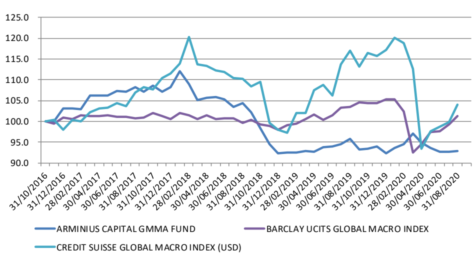
FUND OBJECTIVES: The Arminius Capital GMMA Fund invests by purchasing units in an underlying wholesale hedge fund, being the "**Arminius Capital ALPS Fund**", which provides investors with exposure to all asset classes in the global macro universe. As such, there may be some degree of difference between 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 is currently holding its highest level of cash allocation (ALPS inception 07/2014, GMMA 11/2016) that the investment strategy has utilised since September 2016. At that time, the strategy's cash allocation was 96%. We are today holding 95% cash. This acutely high level of strategic asset allocation towards cash holdings is a reflection of the models we use to ascertain "fair value" of instruments and asset classes. It is worth noting that despite such significant cash holdings across a number of months in 2016, the underlying ALPS strategy returned in excess of 10% by December of that calendar year.

Although many stockmarkets "aggressively regained ground" in the weeks and months following March, of all the developed markets, it is in fact only the US stock market that has recovered all of its lost territory this year. **European, Japanese** and **Australian stock markets** are still **in negative return territory for calendar 2020** year to date. Currently (early September) the year to date performance numbers for European equities are: -12.9%, Japan -1.8%, Australia -11.3%. **Volatility**, (as measured by the VIX) while having declined from all-time-high levels in March, remains elevated and is still approximately **double its average level** of the preceding **7 years**.

Global share markets enjoyed a strong August. The S&P500 price index led the way with a 7.01% jump and Japan's Nikkei 225 price index gained 6.59%. After month-end, the news leaked out that much of the upward pressure had come from call option buying by Japanese tech investor Softbank. The returns of our minimal equities SAA to Australia was reflective of the aggressiveness of global equities markets this month. Our positions in DMP, HSN, IEL and SKI returned +9.2%, +41.3%, +50.9% and -1.3% respectively in August. These long positions were hedged by SPI futures exposure which returned -1.72%.

US and global politics dominated investor concerns during August. The rival Democratic and Republican conventions boasted about their respective patriotism, skills in economic management, and tough stances on China. Meanwhile, thousands of Americans continued to catch coronavirus and die. The most important news for investors – regardless of who the next President is – occurred on 28 August, when Federal Reserve Chair Jay Powell announced a major change in monetary policy. Because this change is important for Australian investors, we discuss it in detail in the section "The USA – Higher inflation and lower unemployment" below.

Our models by the end of January were beginning to struggle to locate "value" in most asset classes – instead seeing hallmarks of over-valuation in many markets – we had already started positioning the fund defensively even before the world became increasingly aware of a new virus spreading out of Wuhan, China. Investors are now all too familiar with that outcome, with many markets notably including global equities and bonds witnessing the fastest decline into bear market territory in history (the speed of which eclipsed even the crash of 1929). The Fund, being an absolute return global macro hedge fund, was able to preserve its investors' capital and generated positive returns through the crash to March 2020, while global equities markets suffered losses in excess of -30% in a matter of weeks.

We are pleased to report that our defensive positioning of the first half of 2020 has enabled us to maintain a positive return in the fund for calendar 2020 as of time of writing, early September 2020. This year has demonstrated the utility of maintaining an allocation in all portfolios towards "alternatives" as there has been nowhere to hide – all asset classes have been affected, even the bastion of real estate. The Fund is out-performing not just the Australian stockmarket (-11.3%) this year, but also its global peer group, with the Credit Suisse Global Macro Fund Index being down -11.26% as per last recorded monthly data.

Further, Australian investors choosing to not hold any international exposure (we have written on the portfolio impacts of a falling USD on our website here: https://arminiuscapital.com.au/will-the-us-dollar-become-another-casualty-of-covid-19/) would be viewing an SMSF portfolio of blue chips looking like this at time of writing, early September. Column averages are in blue.

Ticker	Security Name	Last	MTD %Chg	1Mo %Chg	3Mo %Chg	YTD %Chg	12Mo %Chg	PE
HYPOTHETICAL TYPICAL SMSF PORTFOLIO			-1.74%	-5.52%	-8.95%	-18.24%	-19.71%	14.39
WBC-ASX	Westpac Banking Corporation	17.00	-3.08%	-1.85%	-13.71%	-29.84%	-41.62%	12.38
NAB-ASX	National Australia Bank Limited	17.32	-3.40%	-0.80%	-14.09%	-29.68%	-39.19%	14.77
ANZ-ASX	Australia and New Zealand Banking	17.71	-3.12%	-2.53%	-14.69%	-28.10%	-34.96%	11.59
TLS-ASX	Telstra Corporation Limited	2.88	-0.35%	-15.04%	-11.93%	-18.64%	-19.10%	18.81
CBA-ASX	Commonwealth Bank of Australia	66.72	-2.28%	-9.81%	-6.82%	-16.50%	-16.49%	12.24
BHP-ASX	BHP Group Ltd	36.98	-2.45%	-7.18%	-1.39%	-4.98%	1.82%	15.76
RIO-ASX	Rio Tinto Limited	100.45	2.50%	-1.44%	-0.03%	0.05%	11.56%	15.17

Source: FactSet

Eventhough US equities appear to be an outlier to this current "absent value" environment, the movement in US equities indices (S&P500, DOW, NASDAQ) are in reality a reflection of less than 5 mega-cap technology stocks eg. Apple, Google, Amazon, Facebook. Were these stocks "removed" from the S&P500 (a market capitalisation weighted index), then the US equities market too would be in negative territory year to date. Our models indicate that these tech behemoths are, for the most part, at their most overvalued levels in history.

This opinion is not limited to us in the hedge fund world. Although the >50% rise in US equities since March 23 has now pushed US equities markets into the black for 2020 (up +4% at time of writing), to Australian investors who own positions in the US markets, these returns are not quite what they seem, given that the AUD has risen some +21% against USD over the same corresponding time period.

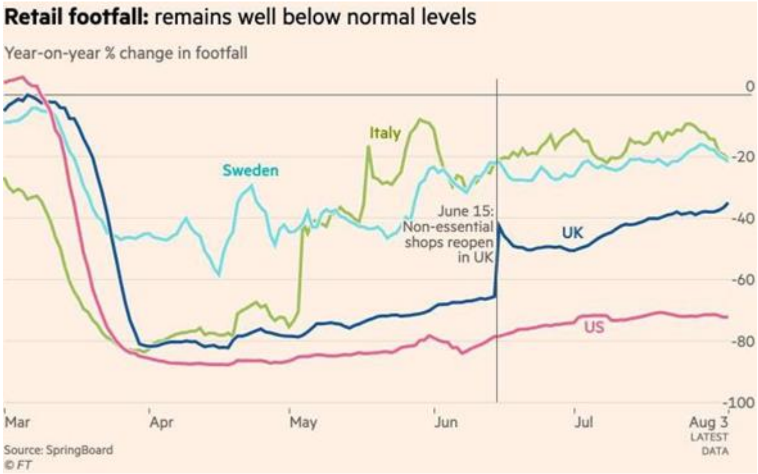
Due to the precariousness of the global economic situation at present, our modelling is indicating virtually no value to be located in any asset class. The risk premium afforded to global equities at the moment is distorted materially by the risk free rate i.e. 80% of all global sovereign debt (bonds) on issue are "returning" negative yields. In other asset classes, foreign exchange has presented with some of the highest levels of volatility since the GFC; so too have commodities, with the energy basket presenting movements in excess of 100% in calendar 2020 alone. Oil was $60bbl in January, only to fall to a historical "negative" futures price in April (therefore technically losing in excess of -100% of its price as set by the futures contract); natural gas is up some +68% from its year low at the end of June. The energy basket of 2020 has been one for the history books. Again, in the presence of such heightened volatility, our models will generate signals that will defer to neutral (cash) holdings as a consequence. The fund's investment strategy is dynamic (as opposed to passive or "buy and hold") so as new information comes to light, our models will incorporate this into our signals. However, given that equities markets have appreciated materially since March, but there appears no end in sight to government fiscal policy increasing budget deficits world-wide that is needed to plug holes in the devastated private sector, we expect further dislocation as 2020 draws to a close.

MARKET OUTLOOK

We have updated the chart we used last month to measure the speed of economic recovery – the shopping centre "footfall" (number of shoppers) in representative countries. We like the footfall chart because it is an accurate, high-frequency indicator of the ordinary consumer's willingness to spend.

For example, the US unemployment rate fell from 10.2% in July to 8.4% in August, but falling unemployment figures only show that a person is back in work again – it is not representative of an individual's desire to keep a pile of precautionary savings in case they are "let go" in the near future.

What is clear is that, while Europe is recovering slowly, the US has stalled. Unless Congress puts new stimulus spending in place very soon, the stall will continue and the US recovery will slow down.



The economic outlook in Europe is better than the US, but no one could describe it as "good". Minor resurgences of COVID-19 have damaged consumer confidence, and a CPI inflation figure of -0.2% (negative) meant that the Eurozone slipped back into deflation for the first time in four years.

The resignation (for health reasons) of Japan's long-serving Prime Minister Abe Shintaro caused a shudder of fear among investors. Their concerns quickly dissipated when the ruling party decided that the next PM would be Abe's collaborator for the last eight years, a sprightly 71-year-old named Suga Yoshihide. Suga is expected to continue Abe's business-friendly policies.

As the chart below shows, the US share market remains historically expensive. The price/earnings ratio for 2021 collapsed in March when the lockdowns began, but it is now back to levels not seen since the dotcom boom. In a year where we have not seen US unemployment at these levels since the Great Depression, the NASDAQ is up +31.2% YTD (January to August). Whilst we appreciate that the utilisation of the services/products provided by the NASDAQ constituents have increased during the Virus' reign, consumers still need to be generating income in order to consume, even in the virtual world. We recall that when the dotcom crash finally occurred, the NASDAQ fell in excess of -70% peak to trough.

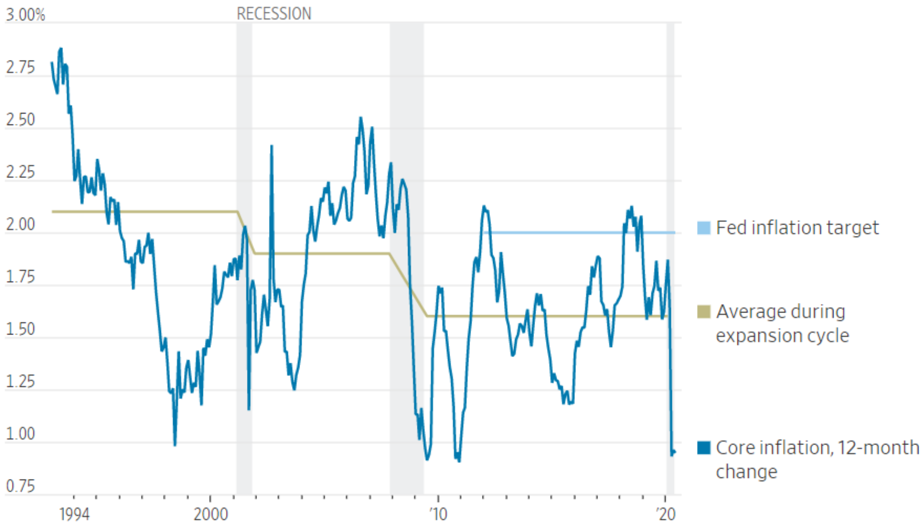
THE USA – HIGHER INFLATION AND LOWER UNEMPLOYMENT

As part of its dual mandate to maintain price stability and maximize employment, the Fed has long had an inflation target of 2% per annum. This target meant that, once inflation reached 2%, the Fed was likely to lift interest rates in order to prevent further rises in inflation. Powell's speech announced that the Fed would switch to a policy of "Flexible Average Inflation Targeting" (FAIT), which meant that inflation would be allowed to rise above 2% per annum for indefinite periods, in order to achieve an <u>average</u> rate of 2% per annum. The central purpose of this policy change is to reduce unemployment from its current painfully high level. Chair Powell also made it clear that interest rates would remain at their present near-zero level for several years (but <u>not</u> negative).

The chart below depicts US core inflation for the last three decades. Since the GFC, US inflation has reached 2% per annum only for two brief periods. Does this mean that FAIT doesn't matter? No, because the Federal Government has just spent unprecedented amounts to subsidize US businesses and consumers, putting cash directly into bank accounts, with the result that the Federal Budget deficit will pass 100% of GDP next year – the highest level since World War II. What Jay Powell's speech means is that, if inflation does hit 2% again, the Fed will try to keep it high, rather than tightening monetary policy in order to reduce inflation.

Price Puzzle

Inflation during the expansion phase of the business cycle has trended lower, on average



Note: Core inflation excludes food and energy
Source: Commerce Department

FAIT is an important change in US monetary policy, and investors have already begun to factor it into their forecasts. Because higher inflation in a country usually leads to a depreciation of that country's currency, holders of US dollars have started to re-balance their portfolios away from the USD and into currencies which are more likely to rise, such as the Euro (EUR), the Swiss franc (CHF), the Japanese yen (JPY), and the Australian dollar (AUD).

The yen and the Swiss franc have long been treated as "haven" currencies which rise in times of war, recession, and global turmoil. It is possible that the AUD is about to join this select group, on the strength of Australia's low level of government debt, significant overseas assets (via super funds), and relative success in controlling COVID-19. If so, the AUD could move back toward its July 2011 peak of USD$1.10. At present we estimate the fair value of the AUD at USD$0.84, which means it could easily overshoot to USD$0.90.

We expect that the USD will fall over the next three years. It is, however, possible that near-term political and economic problems in the US could trigger a sharp rise in the AUD. One factor might be a winter resurgence of COVID-19. Another might be the failure of Congress to agree on a renewed stimulus package. A third is the possibility that the outcome of the 03 November Presidential election is contested, as it was in 1824 and 1876, when the selection of the President devolved to the House of Representatives for three months.

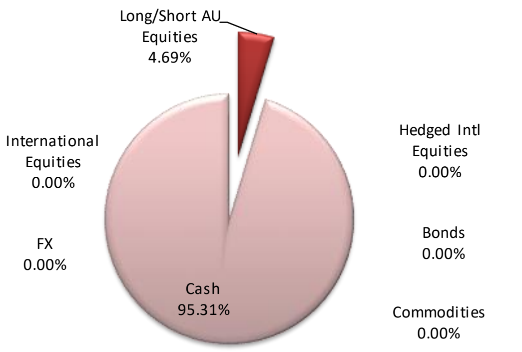
Q.E.D.

Further accompanying Hedge Fund Manager Commentary will be available in the future on the website under "MEDIA".

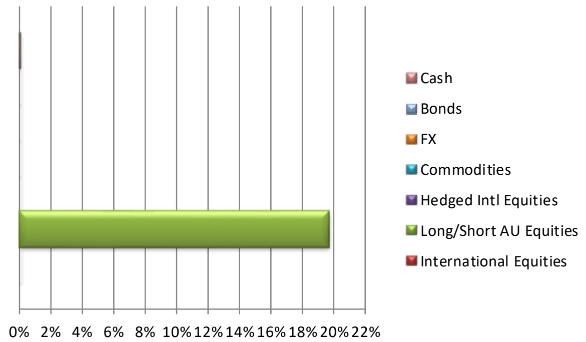
UNDERLYING FUND DATA

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 held open at month's end (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-Jul-20	31-Aug-20	ROR
EUROPE			
Germany DAX (TR)	12313.36	12945.38	**5.13%**
Switzerland SMI (PR)	10005.9	10135.56	**1.30%**
STOXX Europe 50 (EUR)	2912.9	2954.55	**1.43%**
FTSE 100	5897.76	5963.57	**1.12%**
France CAC 40	4783.69	4947.22	**3.42%**
FTSE MIB	19091.93	19633.69	**2.84%**
Netherlands AEX	545.29	549.2	**0.72%**
Belgium BEL 20	3273.37	3332.53	**1.81%**
OMX Stockholm 30	1707.3514	1766.3306	**3.45%**
Norway Oslo All-Share	901.74	937	**3.91%**
Ireland ISEQ	6099.59	6434.44	**5.49%**
Spain IBEX 35	6877.4	6969.5	**1.34%**
Cyprus CSE General	46.48	45.32	-2.50%
AMERICAS			
S&P 500	3271.12	3500.31	**7.01%**
DJ 30 Industrials	26428.32	28430.05	**7.57%**
DJ 65 Composite Average	8701.84	9286.56	**6.72%**
NASDAQ Composite	10745.273	11775.457	**9.59%**
Russell 1000	1815.99	1946.154	**7.17%**
S&P TSX	16169.2	16514.44	**2.14%**
Brazil Bovespa	102912.24	99369.15	-3.44%
Mexico IPC	37019.68	36840.73	-0.48%
ASIA			
S&P ASX 200	5927.8	6060.5	**2.24%**
Nikkei 225	21710	23139.76	**6.59%**
Hang Seng	24595.35	25177.05	**2.37%**
Korea KOSPI	2249.37	2326.17	**3.41%**
FTSE Strait Times	2529.82	2532.51	**0.11%**
Taiwan TAIEX	12664.8	12591.45	-0.58%
New Zealand NZX 50 (TR)	11727.63	11937.56	**1.79%**
China Shenzhen A Share	2362.1563	2402.5222	**1.71%**
India S&P BSE SENSEX	37606.89	38628.29	**2.72%**
FTSE Bursa Malaysia KLCI	1603.75	1525.21	-4.90%
Indonesia JSX	5149.627	5238.487	**1.73%**

COMMODITIES	31-Jul-20	31-Aug-20	ROR
Energy			
Crude Oil WTI (NYM $/bbl) Continuous	40.27	42.61	**5.81%**
Brent Crude (ICE $/bbl) Continuous	43.52	45.28	**4.04%**
NY Harbor ULSD (NYM $/gal) Continuous	1.22	1.22	-0.55%
NY Harb RBOB (NYM $/gal) Continuous	1.17	1.21	**3.64%**
Natural Gas (NYM $/btu) Continuous	1.80	2.63	**46.19%**
Precious Metals			
Gold (NYM $/ozt) Continuous	1985.90	1978.60	-0.37%
Silver (NYM $/ozt) Continuous	24.22	28.59	**18.08%**
Industrial Metals			
Aluminum (LME Cash $/t)	1685.50	1762.00	**4.54%**
High Grade Copper (NYM $/lbs) Continuous	6446.50	6728.00	**4.37%**
Nickel (LME Cash $/t)	13756.00	15414.00	**12.05%**
Iron Ore 62% CN TSI (NYM $/mt)	108.90	122.53	**12.52%**
Zinc (LME Cash $/t)	2299.00	2529.50	**10.03%**
Agricultural			
Corn (CBT $/bu) Continuous	3.16	3.58	**13.21%**
Soybeans (CBT $/bu) Continuous	8.93	9.54	**6.83%**
Wheat (CBT $/bu) Continuous	5.31	5.52	**3.95%**
Cotton #2 (NYF $/lbs) Continuous	0.63	0.65	**3.99%**
Sugar #11 (NYF $/lbs) Continuous	0.13	0.13	**0.16%**
Indices			
GS Commodity (CME) Continuous	338.50	359.35	**6.16%**
PowerShares DB Commodity Index Tracking Fund	12.94	13.54	**4.64%**
db x-trackers SICAV - db x-trackers DB COMMODITY BO	12.60	13.18	**4.55%**

FOREIGN EXCHANGE	31-Jul-20	31-Aug-20	ROR
AUD/USD	0.715	0.739	**3.39%**
EUR/USD	1.180	1.194	**1.19%**
JPY/USD	105.714	105.848	**0.13%**
GBP/USD	1.311	1.338	**2.07%**
CHF/USD	1.096	1.108	**1.09%**
USD/CAD	0.747	0.768	**2.74%**
EUR/GBP	0.900	0.892	-0.87%
AUD/EUR	1.651	1.616	-2.13%
USD/CHF	0.913	0.904	-1.05%
GBP/AUD	1.832	1.812	-1.09%
CBOE Volatility Index	24.46	26.41	**7.97%**

10 YEAR SOVEREIGN YIELDS	31-Jul-20	31-Aug-20	Yield D
US	0.54%	0.70%	**0.17%**
UK	0.10%	0.31%	**0.22%**
Europe	-0.53%	-0.40%	**0.13%**
Australia	0.82%	0.98%	**0.17%**
Belgium	-0.22%	-0.15%	**0.07%**
Canada	0.46%	0.62%	**0.16%**
Denmark	-0.40%	-0.29%	**0.11%**
France	-0.20%	-0.10%	**0.10%**
Germany	-0.53%	-0.40%	**0.13%**
Greece	1.09%	1.09%	**0.01%**
Ireland	-0.12%	-0.06%	**0.07%**
Italy	1.02%	1.07%	**0.05%**
Japan	0.01%	0.04%	**0.04%**
Netherlands	-0.40%	-0.29%	**0.11%**
New Zealand	0.75%	0.63%	-0.12%
Norway	0.53%	0.79%	**0.26%**
Portugal	0.34%	0.41%	**0.07%**
Spain	0.33%	0.40%	**0.07%**
Sweden	-0.09%	0.03%	**0.12%**
Switzerland	-0.55%	-0.43%	-0.12%

ROR = Rate of Return
Yield D = Yield differential