



# MONTHLY PERFORMANCE REPORT

## August 2021

The Fund returned 1.10% for the month, compared with -0.28% for the Credit Suisse Global Macro Index and 0.33% for the HFM UCITS Macro Index. The Fund continues to achieve its objective of being a low volatility fund (5.81% since inception July 2014) with low correlation to equity markets, as a consequence of our risk management strategies. We expect the US federal budget deficit as a % of GDP to increase to record levels through 2021 due to Coronavirus stimulus packages. Despite the global debt outlook implying defaults in lower-quality sovereign and corporate bonds, world central banks continue to intervene to prevent such events from happening.

### 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:** 30<sup>th</sup> June  
**Unit Pricing:** Weekly  
**ISIN Code:** AU60PKF00011  
**APIR Code:** PKF0001AU  
**Fund Administration:** APEX Fund Services (Australia)

PERFORMANCE (Inception JUL-2014)	Arminius Capital ALPS Fund	HFM UCITS MACRO INDEX	CREDIT SUISSE GLOBAL MACRO (USD) INDEX	SOCIETE GENERALE CTA MUTUAL FUND INDEX
1 Month	1.10%	0.33%	-0.28%	-0.29%
3 Months	2.65%	0.87%	0.24%	-1.07%
Calendar YTD	3.72%	2.82%	12.13%	6.51%
1 Year	1.96%	6.33%	16.84%	10.92%
3 Years	-8.61%	6.60%	10.25%	12.22%
5 Years	4.21%	5.03%	21.73%	7.61%
<b>Cumulative since Inception JUL 2014</b>	<b>14.61%</b>	<b>7.15%</b>	<b>15.38%</b>	<b>14.77%</b>

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

### INVESTMENT MANAGER

Arminius Investment Management Pty Ltd  
 AFSR 471285 ACN 602780950  
 licensed by:  
 Arminius Capital Advisory Pty Ltd  
 AFSL 461307 ACN 165509928

### DISTRIBUTION DETAILS

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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
<b>2014</b>	-	-	-	-	<b>INCEPTION =&gt;</b>	2.09%	0.04%	-1.43%	2.02%	1.18%	2.35%	6.37%	
<b>2015</b>	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%
<b>2016</b>	-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%
<b>2017</b>	-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%
<b>2018</b>	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%
<b>2019</b>	0.08%	0.12%	0.35%	-0.22%	1.39%	0.20%	0.60%	1.44%	-2.72%	0.27%	0.70%	-1.85%	0.28%
<b>2020</b>	1.38%	1.11%	2.76%	-2.29%	-1.45%	-0.71%	-0.10%	0.22%	-0.17%	-0.29%	-0.64%	-0.61%	-0.88%
<b>2021</b>	-0.46%	0.44%	0.42%	0.92%	-0.28%	0.64%	0.89%	1.10%					3.72%

\* 2014/07 - 2015/02 Strategy run as Mandate, 2015/03+ as Unit Trust Structure. EOM date is typically last Friday of month.

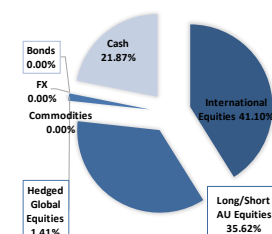
**FUND OBJECTIVES:** The fund provides investors with exposure to all asset classes in the global macro universe. Arminius' aim is to provide smooth positive returns with lower volatility and lower risk than concentrated single market/asset class exposure. Our absolute return investment methodology utilises 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.

### FUND STATISTICS MONTHLY

From July 2014	ALPS Fund	XJO
Sharpe Ratio	0.37	0.40
Sortino Ratio (RFR)	1.93	1.82
Downside Deviation	1.10%	3.16%
Standard Deviation	1.68%	4.15%
Annualized SD	5.81%	14.38%
Mean Monthly Return	0.18%	0.48%
Compound Monthly Return	0.16%	0.39%
Excess Return (RFR)	2.12%	5.73%
Portfolio Correlation to XJO	0.15	-
R <sup>2</sup> Coefficient of Determination	0.00	-

### STRATEGIC ASSET ALLOCATION at Month's commencement



### FUND PERFORMANCE:

The fund continued to build on July's +0.89% return to add another +1.10% in August. The fund's positive return came from equities beta exposure. Almost all short hedged positions either expired unexercised (put options) or returned negative in the face of a very strong global equities showing for August. Alpha generated via a short position in Ubisoft Entertainment (UBI-PAR) provided a small yet positive contribution to returns. FX positions contributed positively during the month although the EUR and USD movements largely offset each other. The fund's own volatility since inception is 5.98% and therefore continues to provide a globally diversified, low volatility exposure with low correlation to equity returns.



## MARKET SUMMARY

Japan's share market led the developed world in August. The Nikkei 225 price index rose 3.0%, in spite of rather than because of the Olympics. The Japanese market was doing well until investors began to worry that the Olympics – even if spectator-free – might trigger a new surge in COVID-19 deaths. When this did not eventuate, investors breathed a sigh of relief and went back to buying Japanese stocks.

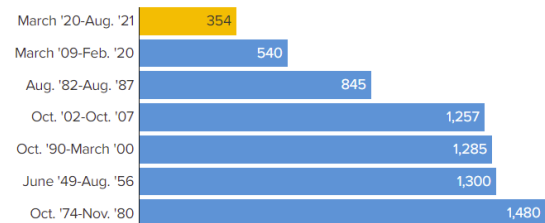
The US share market was the runner-up with a broadly based gain of 2.9% in the S&P500 price index. Europe's Stoxx 650 price index and Australia's S&P/ASX200 price index both rose 1.9%. All three markets set new records during the month.

The Shanghai share market rebounded as investors decided that the authorities seemed to have the delta variant under control. China's tech sector bounced despite fresh measures to punish corporate misbehaviour: the smarter billionaires have hastened to align their companies with the new rules, and many have promised large contributions to worthwhile causes.

## INVESTMENT OUTLOOK



### Number of trading days for each S&P 500 bull market to double



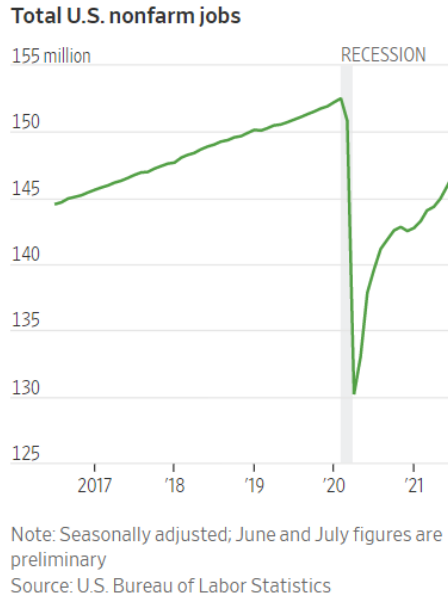
Note: Dates indicate total length of each bull market, and bars show the trading days each took to double. Covers post-WWII era only.  
Source: S&P Dow Jones Indices (bull market dates, S&P 500 levels), CNBC analysis (doubling time). As of August 16, 2021.



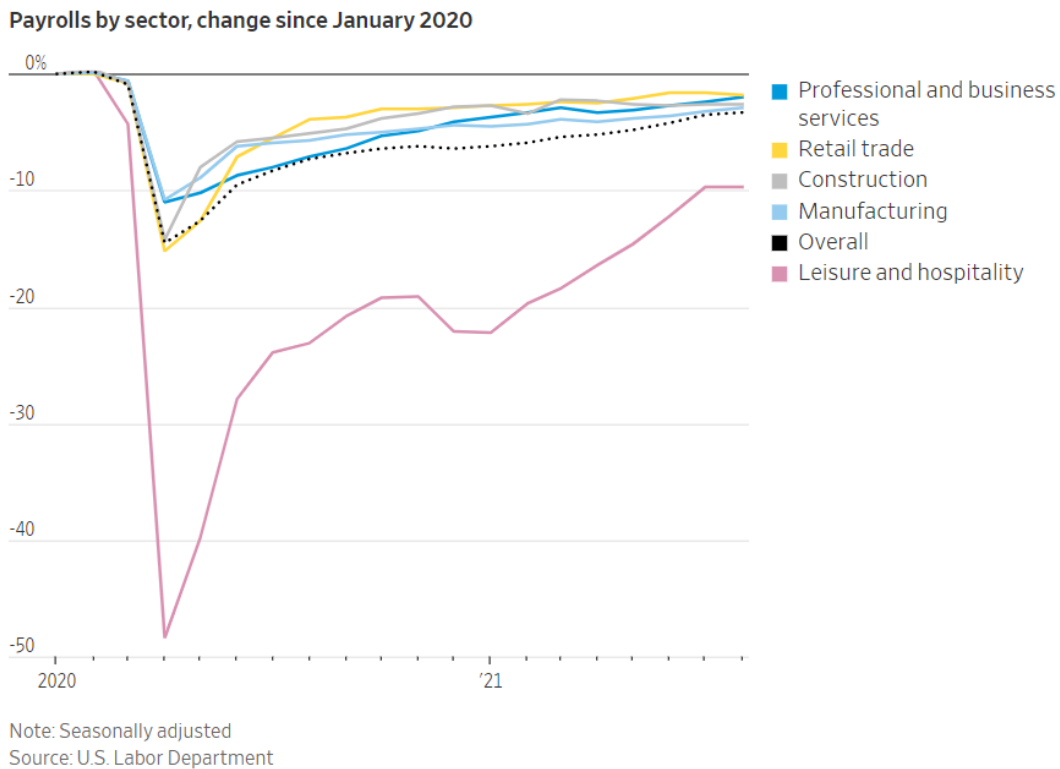
As the left chart above shows, forward looking price-earnings ratios in the S&P500 are near historic highs. The US share market is expensive relative to other markets and to its own history. August 16<sup>th</sup> saw the doubling of the S&P500 from its pandemic low of March 2020. This meteoric ascent has been the fastest bull market since the Second World War. We recall that in the first quarter of 2020, equity markets fell some -35%, while this Fund was up over +5% in the same time period. A year later, investors are still betting that the pandemic's pent-up consumer spending and the Federal Government's expanded budget will combine to deliver several years of strong growth across the US economy.

A prolonged boom is quite possible. Corporate America is healthy: results for the quarter ended June 2021 show that three-quarters of S&P500 companies have their revenues back to where they were before the pandemic. An added advantage is that all those pandemic-related equity raisings have reduced the gearing of the average S&P500 company, creating firepower for M&A or capital expenditure or share buybacks.

Most importantly, the US economy is still running well below its capacity. Obviously, the supply chain disruptions have left many retailers with stock-outs and many manufacturers with goods waiting on key parts. The clearest measure of unused capacity is visible in the chart below: the US has not yet replaced five million of the twenty million jobs lost in the pandemic.



Some of these jobs are in sectors which are still on life support, such as airlines and international travel. Most, however, are in the service sector, e.g. bars and restaurants. Restoring these service sector jobs will provide a major boost to GDP and household income. The chart below shows how most sectors are almost back to normal, but leisure and hospitality payrolls are still 10% below their pre-coronavirus levels.



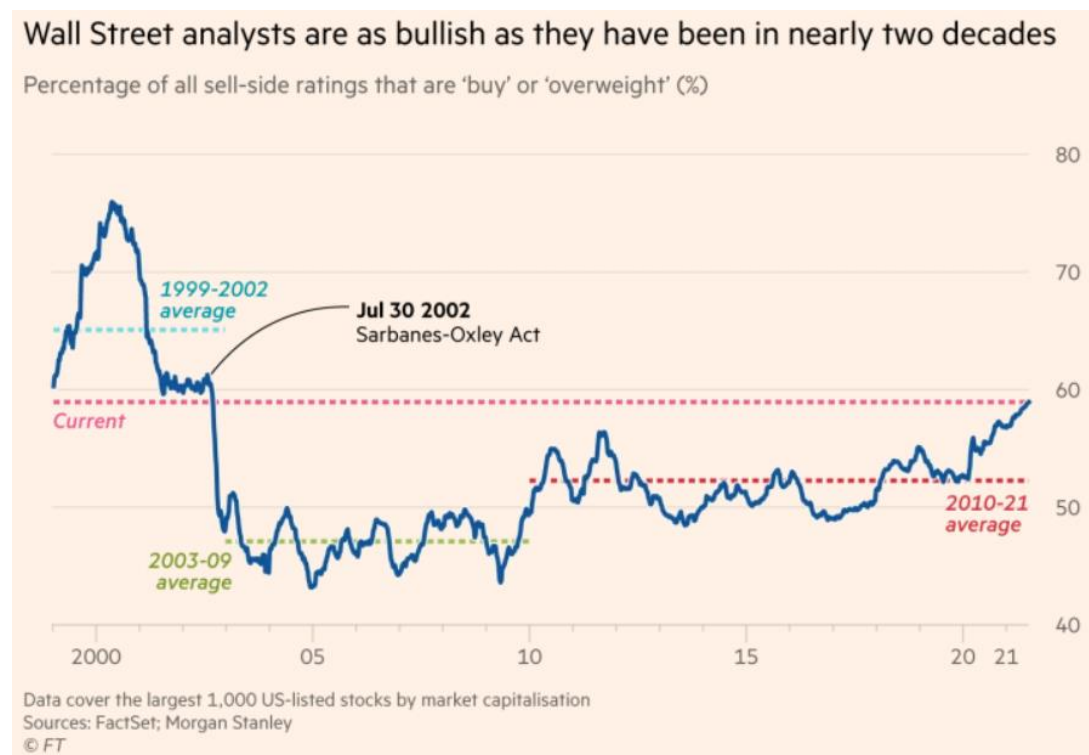
The price of an extended boom will be higher inflation. Year-on-year CPI inflation is already high and will rise further, but the Federal Reserve regards this inflation as “transitory” because it will fall back as the economic recovery matures. We disagree. Supply disruptions will last into 2023 at least. Many companies are discovering that they need to pay higher wages (as much as \$15 per hour!) to obtain and retain staff. The increase in US house prices – which is fuelled by ultra-low interest rates – will flow through to CPI inflation and to demands for higher wages.



Nor will inflation be restricted to the US. As the chart below shows, Germany is already facing the highest import prices it has seen in decades.



As we have pointed out previously, many US investors are in the grips of a speculative frenzy, willing to trade in stocks based on their popularity, rather than on their fundamentals. One of the signs of excessive optimism is how bullish Wall Street analysts are. The chart below shows the percentage of all stockbroker recommendations which are “buy” or “overweight” (compared to “underweight” or “sell” or “marketweight” or “hold”).





The level of optimism is almost back to the levels seen in the dotcom boom. As those of us who worked in capital markets during the late 1990s remember, it ended up falling -78% over the span of 36 months, and the value fund managers (the ones who hadn't already quit in disgust in 1999) were the only ones left standing.



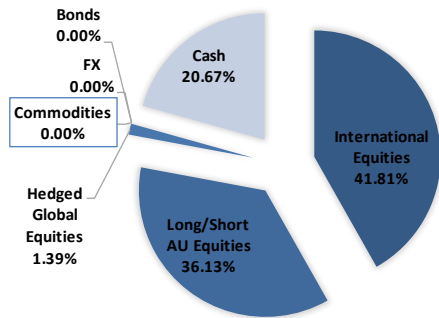
Q.E.D.

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

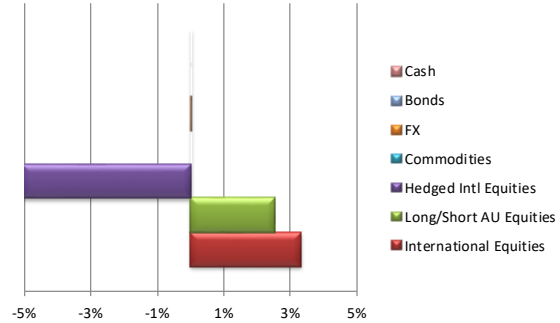


**PERFORMANCE TABLES**

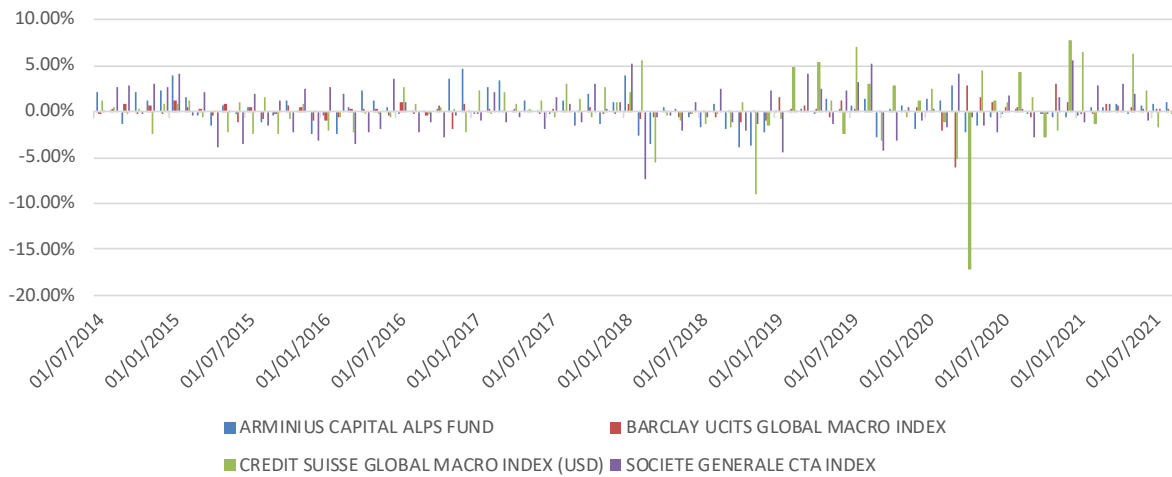
**Exposure at month's end as % of NAV**



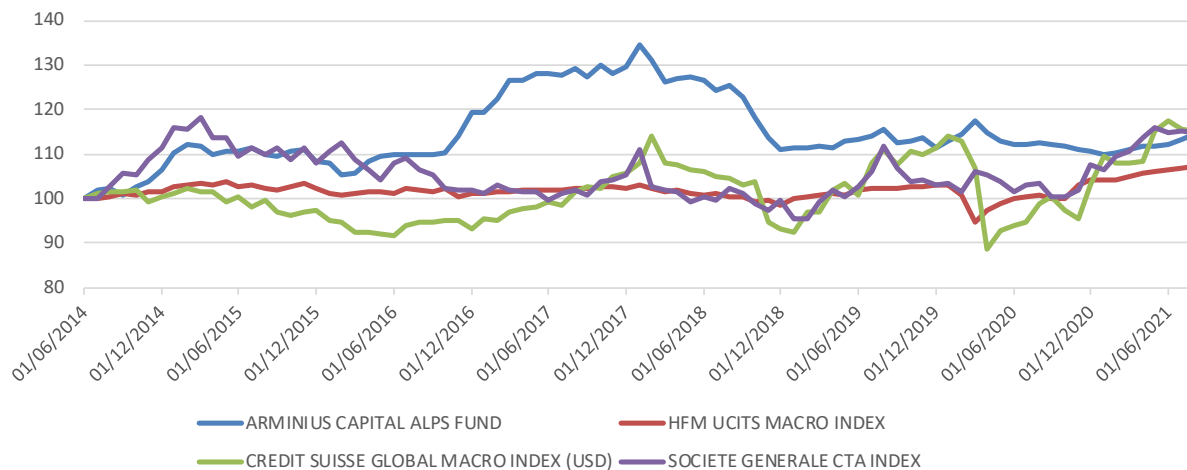
**Monthly Asset Class average returns of individual constituents per SAA held open at month's end (in domestic market currency)**



**Monthly Performance since Inception July 2014**



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





GLOBAL FINANCIAL MARKETS – MONTHLY DATA

EQUITIES	31-Jul-21	31-Aug-21	ROR
<b>EUROPE</b>			
Germany DAX (TR)	15544.4	15835.1	1.87%
Switzerland SMI (PR)	12116.8	12411.1	2.43%
STOXX Europe 600 (EUR)	461.7	470.9	1.98%
FTSE 100	7032.3	7119.7	1.24%
France CAC 40	6612.8	6680.2	1.02%
FTSE MIB	25363.0	26009.3	2.55%
Netherlands AEX	754.3	787.6	4.42%
Belgium BEL 20	4200.5	4308.9	2.58%
OMX Stockholm 30	2369.9	2351.2	-0.79%
Norway Oslo All-Share	1204.7	1226.8	1.84%
Ireland FTSE	495.6	510.7	3.05%
Spain IBEX 35	8675.7	8846.6	1.97%
Cyprus CSE General	67.2	68.5	1.89%
<b>AMERICAS</b>			
S&P 500	4395.3	4522.7	2.90%
DJ 30 Industrials	34935.5	35360.7	1.22%
DJ 65 Composite Average	11446.9	11618.1	1.50%
NASDAQ Composite	14672.7	15259.2	4.00%
Russell 1000	2469.2	2537.3	2.76%
S&P TSX	20287.8	20582.9	1.45%
Brazil Bovespa	121800.8	118781.0	-2.48%
Mexico IPC	50868.3	53304.7	4.79%

<b>ASIA</b>			
S&P ASX 200	7392.6	7534.9	1.92%
Nikkei 225	27283.6	28089.5	2.95%
Hang Seng	25961.0	25879.0	-0.32%
Korea KOSPI	3202.3	3199.3	-0.10%
FTSE Strait Times	3166.9	3055.1	-3.53%
Taiwan TAIEX	17247.4	17490.3	1.41%
New Zealand NZX 50 (TR)	12594.5	13218.8	4.96%
Shanghai SSE Composite	3397.4	3543.9	4.31%
China Shenzhen A Share	2496.2	2542.5	1.86%
India S&P BSE SENSEX	52586.8	57552.4	9.44%
FTSE Bursa Malaysia KLCI	1494.6	1601.4	7.14%
Indonesia JSX	6070.0	6150.3	1.32%

FOREIGN EXCHANGE	31-Jul-21	31-Aug-21	ROR
AUD/USD	0.734	0.732	-0.20%
EUR/AUD	0.618	0.620	0.22%
JPY/AUD	80.578	80.486	-0.11%
GBP/USD	1.389	1.376	-0.97%
CHF/USD	1.105	1.093	-1.01%
USD/CAD	0.801	0.793	-1.01%
EUR/GBP	0.854	0.859	0.55%
EUR/USD	1.187	1.182	-0.43%
USD/CHF	0.906	0.915	1.07%
GBP/AUD	1.895	1.880	-0.77%
CBOE Volatility Index (VIX)	18.24	16.48	-9.65%

COMMODITIES	31-Jul-21	31-Aug-21	ROR
<b>Energy</b>			
Crude Oil WTI (NYM \$/bbl) Continuous	73.95	68.50	-7.37%
Brent Crude (ICE \$/bbl) Continuous	75.41	71.63	-5.01%
NY Harbor ULSD (NYM \$/gal) Continuous	2.20	2.13	-2.98%
NY Harb RBOB (NYM \$/gal) Continuous	2.33	2.14	-8.26%
Natural Gas (NYM \$/btu) Continuous	3.91	4.38	11.83%
<b>Precious Metals</b>			
Gold (NYM \$/ozt) Continuous	1817.20	1818.10	0.05%
Silver (NYM \$/ozt) Continuous	25.55	24.01	-6.03%
<b>Industrial Metals</b>			
Aluminum (LME Cash \$/t)	2624.00	2714.00	3.43%
High Grade Copper (NYM \$/lbs) Continuous	9747.50	9462.50	-2.92%
Nickel (LME Cash \$/t)	19892.00	19513.00	-1.91%
Iron Ore 62% CN TSI (NYM \$/mt)	211.99	159.25	-24.88%
Zinc (LME Cash \$/t)	3039.00	2997.50	-1.37%
<b>Agricultural</b>			
Corn (CBT \$/bu) Continuous	5.45	5.34	-2.02%
Soybeans (CBT \$/bu) Continuous	13.49	12.93	-4.21%
Wheat (CBT \$/bu) Continuous	7.04	7.22	2.63%
Cotton #2 (NYF \$/lbs) Continuous	0.89	0.93	3.51%
Sugar #11 (NYF \$/lbs) Continuous	0.18	0.20	10.78%
<b>Indices</b>			
GS Commodity (CME) Continuous	540.25	527.10	-2.43%
PowerShares DB Commodity Index Tracking Fund	19.50	19.18	-1.64%
db x-trackers SICAV - db x-trackers DB COMMODITY BO	17.26	17.23	-0.13%

10 YEAR SOVEREIGN YIELDS	31-Jul-21	31-Aug-21	Yield D
US	1.23%	1.30%	0.06%
UK	0.57%	0.59%	0.02%
Europe	-0.45%	-0.40%	0.05%
Australia	1.18%	1.16%	-0.02%
Belgium	-0.12%	-0.07%	0.05%
Canada	1.20%	1.21%	0.01%
Denmark	-0.14%	-0.10%	0.04%
France	-0.10%	-0.05%	0.05%
Germany	-0.45%	-0.40%	0.05%
Greece	0.60%	0.75%	0.15%
Ireland	-0.06%	-0.02%	0.04%
Italy	0.62%	0.68%	0.06%
Japan	0.02%	0.02%	0.00%
Netherlands	-0.32%	-0.28%	0.05%
New Zealand	1.52%	1.72%	0.19%
Norway	1.18%	1.27%	0.09%
Portugal	0.18%	0.19%	0.02%
Spain	0.27%	0.32%	0.05%
Sweden	0.09%	0.16%	0.07%
Switzerland	-0.49%	-0.33%	-0.16%

ROR = Rate of Return  
Yield D = Yield differential