MONTHLY PERFORMANCE REPORT
October 2021

The Fund returned 0.31% for the month, compared with 0.58% for the Credit Suisse Global Macro Index and 0.58% for the HFM UCITS Macro Index. The Fund continues to achieve its objective of being a low volatility fund (5.75% 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.

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	**0.31%**	0.58%	0.58%	2.56%
3 Months	**0.63%**	0.17%	1.35%	3.16%
Calendar YTD	**3.24%**	3.07%	13.64%	9.87%
1 Year	**1.95%**	7.41%	20.01%	17.90%
3 Years	**-3.47%**	8.09%	12.47%	19.66%
5 Years	**3.52%**	5.04%	23.14%	15.76%
Cumulative since Inception JUL 2014	**14.08%**	**7.41%**	**16.94%**	**18.39%**

Arminius Capital ALPS Fund (Inception July-2014) Returns are net of base fees; gross of performance fee.

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY
2014	-	-	-	-	**INCEPTION =>**		2.09%	0.04%	-1.43%	2.02%	1.18%	2.35%	6.37%
2015	3.85%	1.56%	-0.07%	-1.47%	0.77%	-0.09%	0.52%	-1.23%	-0.45%	1.23%	0.19%	-2.43%	2.26%
2016	-0.38%	-2.38%	0.54%	2.37%	1.22%	0.41%	-0.10%	0.03%	0.00%	0.20%	3.55%	4.60%	10.33%
2017	-0.13%	2.69%	3.31%	0.10%	1.25%	0.02%	-0.34%	1.28%	-1.45%	1.93%	-1.41%	1.04%	8.47%
2018	3.94%	-2.64%	-3.56%	0.49%	0.24%	-0.57%	-1.77%	0.88%	-1.94%	-3.90%	-3.75%	-2.26%	-14.1%
2019	0.08%	0.12%	0.35%	-0.22%	1.39%	0.20%	0.60%	1.44%	-2.72%	0.27%	0.70%	-1.85%	0.28%
2020	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%
2021	-0.46%	0.44%	0.42%	0.92%	-0.28%	0.64%	0.89%	1.10%	-0.77%	0.31%			3.24%

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

GENERAL INFORMATION

Base Currency: AUD
Entity Type: Open Ended Unit Trust
PMs: Marcel von Pfyffer (CIO)
Neill Colledge
Launch date: Jul-2014
Benchmark: 0% (Absolute Return)
Fees: 1 and 10
Domicile: Australia
Close of Financial Year: 30th June
Unit Pricing: Weekly
ISIN Code: AU60PKF00011
APIR Code: PKF0001AU
Fund Administration: APEX Fund Services (Australia)
Fund Custodian: Certane 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

Arminius Investment Management
115 Wickham St
Fortitude Valley
QLD 4006
AUSTRALIA
+61 7 3040 9104
info@arminiuscapital.com.au

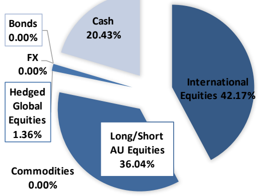
FUND OBJECTIVES: The fund provides investors with exposure to all asset classes in the global macro universe. Arminius' aim is to provide smooth positive returns with lower volatility and lower risk than concentrated single market/asset class exposure. Our absolute return investment methodology utilises 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	**0.34**	0.36
Sortino Ratio (RFR)	**1.78**	1.65
Downside Deviation	**1.11%**	3.15%
Standard Deviation	**1.66%**	4.12%
Annualized SD	**5.75%**	14.26%
Mean Monthly Return	**0.17%**	0.44%
Compound Monthly Return	**0.16%**	0.35%
Excess Return (RFR)	**1.98%**	5.18%
Portfolio Correlation to XJO	**0.15**	-
R^2 Coefficient of Determination	**0.00**	-

STRATEGIC ASSET ALLOCATION
at Month's commencement



FUND PERFORMANCE:

The fund rose in October (+0.31%) alongside euphoric developed equities markets with the US S&P500 rising 6.91%, Europe 4.55% and Australia falling -0.12%. The fund's overweight Australia positioning during October alongside hedged US and EU exposure meant a measured, risk managed return for the month. FX & short hedged positions detracted from the fund's return as oversized returns in individual positions of many indices eg. S&P500 rose 6.91% while AUDUSD rose 4.04% - exuberance everywhere! The fund's own volatility since inception is 5.75% and therefore continues to provide a globally diversified, low volatility exposure with low correlation to equity returns.

MARKET SUMMARY

Investor sentiment in the US improved as the corporate earnings outlook strengthened and the Congressional blockages seemed to ease. The S&P500 price index hit new highs in late October, closing the month at a record 4605, up a colossal +6.91% in 4 weeks. The bond market, however, fell into turmoil as investors accepted that inflation was not "transitory" and that central banks would start lifting interest rates much sooner than expected.

Europe's STOXX600 price index returned to its previous highs with a gain of 4.55% as it became clear that the "winter of discontent" was only going to affect the UK and Italy because of their high dependence on imported gas. France, for example, relies on nuclear power, and Germany still runs 96 coal-fired power plants. Even Switzerland, home to a mere 8.5 million people has 5 nuclear power plants. No problems for Nestle.

Australia's S&P/ASX200 was flat as the AGM season produced management commentary about rising input costs, rising freight costs, and rising wages. Energy stocks lost some of their previous gains, and speculative fintechs and miners enjoyed a small surge of investor enthusiasm.

The Nikkei 225 price index fell 1.9% in October thanks to some unguarded remarks about tax by the new PM, Kishida Fumio. But the ruling Liberal Democratic Party won a majority in the 31 October election, and the Nikkei promptly recovered all its October losses.

Chinese markets were quiet as attention focused on the 8 November start of the Sixth Plenary Meeting of the CCP Central Committee. This is a major event which is expected to pass a "Resolution on History" entrenching Xi Jinping's rule.

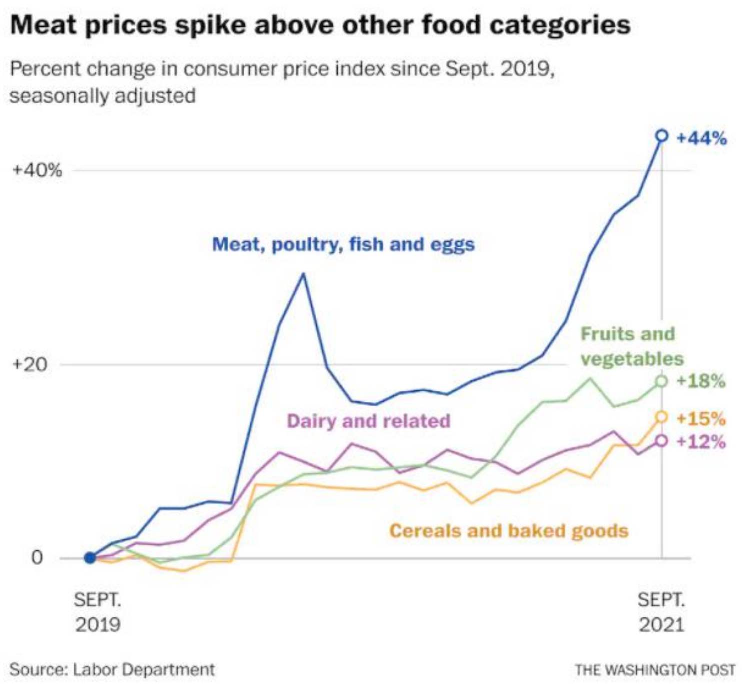
MARKET OUTLOOK

Bond and equity markets have now come around to our view that higher inflation will not be "transitory". It will continue into 2023 – and probably even longer in the US. Our reasoning is simple: inflation is the result of the scissors-like interaction of both supply and demand. The blockages on the supply side are well known, because they were caused by the COVID-19 disruptions, then worsened by the limited capacity of corporate logistics systems (e.g. "just-in-time" inventories).

On the demand side, lockdowns and fear of infection meant that consumers could no longer spend on services (such as bars, restaurants, movies, hairdressers, beauticians), so they switched to goods, particularly consumer durables such as phones, computers, and home gyms. As the chart above shows, demand for durable goods jumped by 32%.

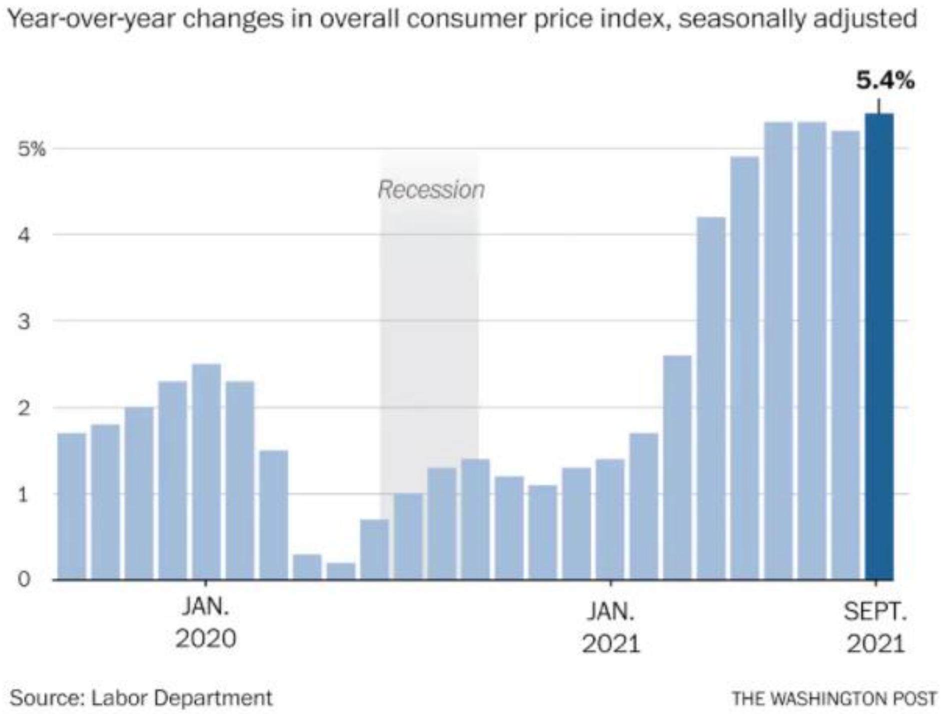
This is where it gets interesting. National accounts statistics indicate that, in the US, production by local manufacturers did not increase to fill the extra demand. Instead, the gap was filled by imports. Hence there were increases of 30% or so in the number of containers being shipped to the US, which in turn over-taxed the handling capacity of the two main West Coast ports, Los Angeles and Long Beach, leading to queues of 70 or more ships outside the ports. Not that bigger ports would have solved the problem, because there weren't enough trucks or drivers to remove the containers, and not enough spare rail cars to load them onto.

In short, the pandemic-related surge in imported goods exposed major deficiencies in the US transport and freight systems. (For comparison, Australia, Japan, and Europe all coped pretty well.) In response, most large US corporations have been re-examining their supply chains to make them more resilient. This is a complete about-face on their priority over the last three decades, which was to reduce supply-chain costs. More resilient means more expensive: this will create upward pressure on product costs over the next few years – that is, more inflationary pressure.

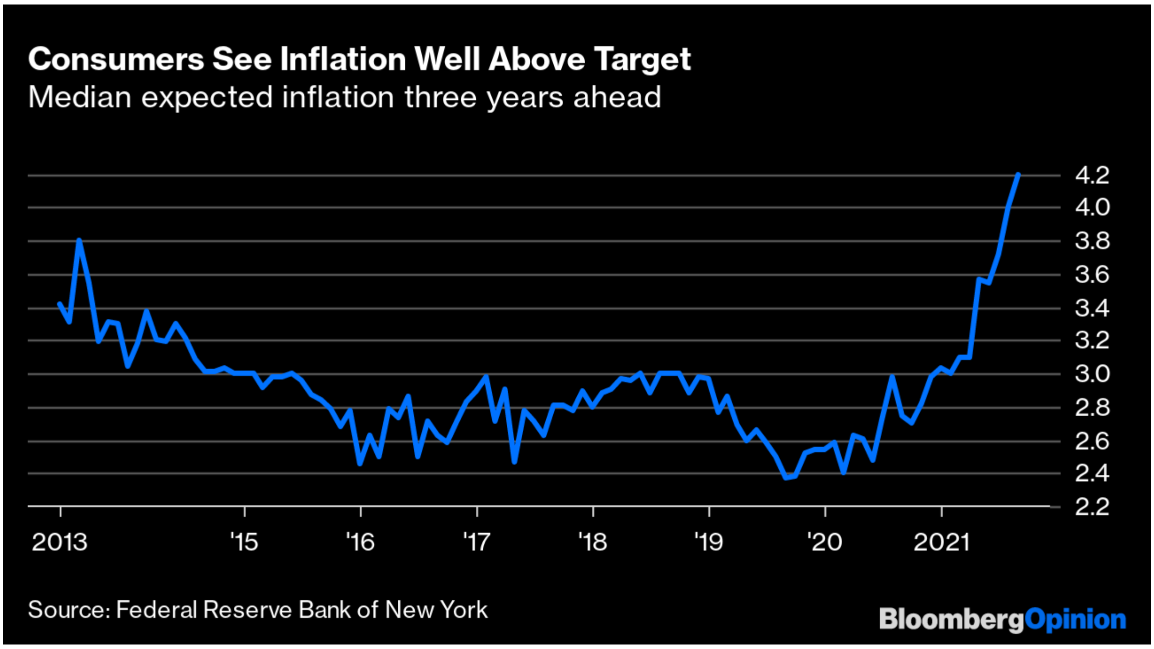


As the chart above shows, the average US consumer knows that higher inflation is here to stay, because he or she can see higher prices every day in the supermarket, such as meat, poultry, fish, eggs, corn, fruit and vegetables. Equally obvious is the increase in petrol prices: OPEC and Russia have demonstrated that they are able to restrict crude oil production so as to keep prices high.

Higher house prices will also add to inflation, but wage pressures are much more important. Readers with an interest in the US economy may recall the long battles over the legislated minimum wage rate, which was and still is US$7.25 per hour Federally, but higher in many States. Since COVID-19 arrived, US employers have been completely unable to hire anyone for US$7.25 per hour. Even at US$15.00 per hour, staff turn up when it suits them and are quick to change jobs. The labour shortage is worst in the industries with the worst conditions, such as warehouses, processing plants, and fast-food restaurants. Wage pressures will only get worse in 2022.



US consumers have now experienced six months of official CPI inflation above 4% per annum, confirming the evidence of their own eyes every day. Therefore it is hardly surprising that they now expect inflation to be above 4% over the next three years, as the chart below shows.



Higher inflation will be felt most strongly in the US. Europe and Japan will be less affected, because they have spent the last decade battling deflationary forces, and also because their response to COVID-19 did not include as much fiscal and monetary expansion as the US. In addition, Europe and Japan also face the long-term deflationary impact of declining populations.

China will be minimally affected by higher inflation, because it is currently in a small deflation of its own making, caused by power blackouts and collapsing property developers. Australia is somewhere in the middle: we have near-zero interest rates and huge budget deficits, but inflation remains modest and wage pressures are still minimal.

We believe that US bond and equity markets are still underestimating how long inflation will last and how high it will go. Federal Reserve Governors have already hinted that continuing high inflation may justify "a more aggressive policy response" in 2022 (Christopher Waller speech 19 Oct 2021).

But taming CPI inflation of 4% per annum or more will force official interest rates to eventually rise from the current 0.25% to 2.5% at least. A rise of 2.25 percentage points in the Federal Funds rate would lift the current 30-year fixed mortgage rate from 3.1% at present to 5.3% - a serious disincentive to homebuyers.

For every central bank, raising interest rates is a delicate balance between raising too little or too late (the doves) and raising too much or too soon (the hawks). At present, the doves are in the majority at the Fed, so we expect inflation to go higher or run longer than the bond market is currently expecting.

The investment implications of higher inflation are straightforward. On the positive side of the ledger, real assets such as commodities tend to keep pace with inflation, and companies with strong pricing power can maintain their profit margins.

On the negative side, companies with regulated prices are always way behind the CPI increases, and companies with high price-earnings ratios are most in danger of disappointing investors. Banks suffer squeezes in their net interest margins (NIM, which is the spread between lending and borrowing rates), which are already under competitive pressure from fintechs and neobanks. In the Australian industry the banks will also lose the concessional lending facilities which were put in place in 2020.

US inflation of 5% per annum or more does not have to mean the end of the current bull market. A return to 1970s-style inflation of 10%-plus certainly would, but such an outcome is at least two years away and would only happen if the Federal Reserve made a string of policy mistakes. A central bank making policy mistakes, you say? At this juncture, a critic would laughingly impersonate a Fed official, "We're from the government and we're here to help".

In the meantime, we believe the medium term outlook for equities is that they will remain strong – just not the same individual equities that led the market in the last decade.

Q.E.D.

We refer investors to material we have published this month on our website:

CRACKDOWNS IN CHINA: SEASON 1, EPISODE 2 - 26 October 2021

https://arminiuscapital.com.au/crackdowns-in-china-season-1-episode-2/

GREEN SWANS - 20 October 2021

https://arminiuscapital.com.au/green-swans/

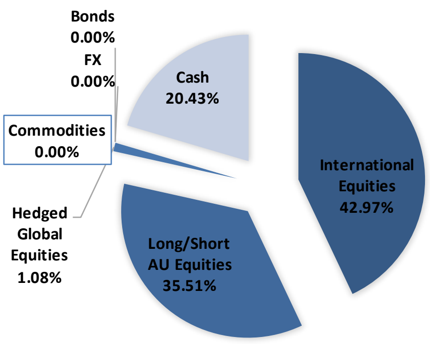
THE WINTER OF DISCONTENT - 12 October 2021

https://arminiuscapital.com.au/the-winter-of-discontent/

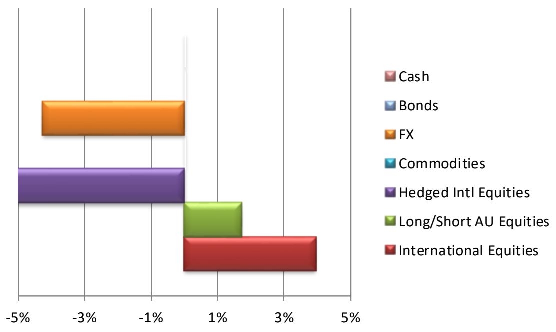
Further accompanying Hedge Fund Manager Commentary will be available in the future on the website under "MEDIA".

PERFORMANCE TABLES

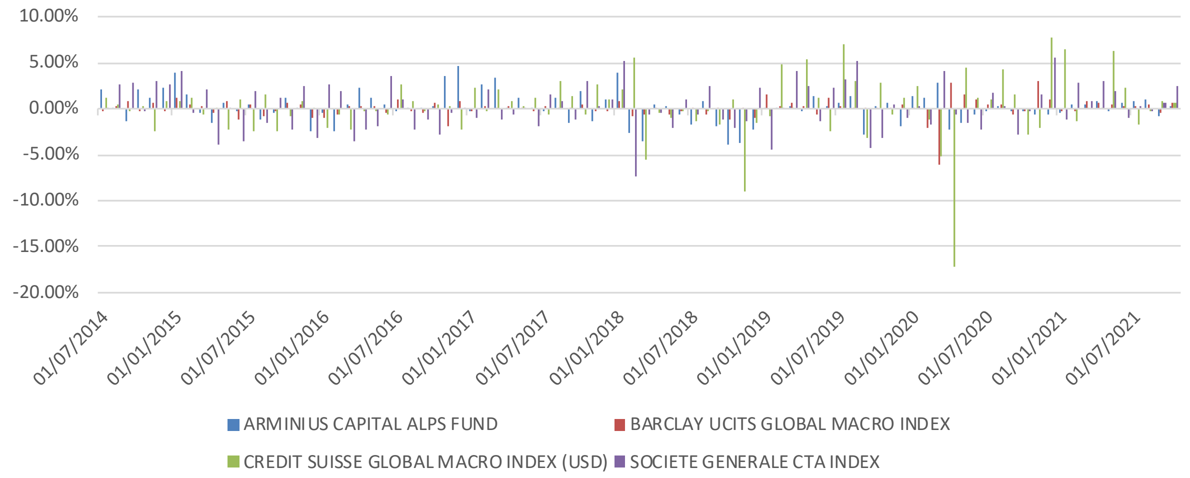
Exposure at month's end as % of NAV



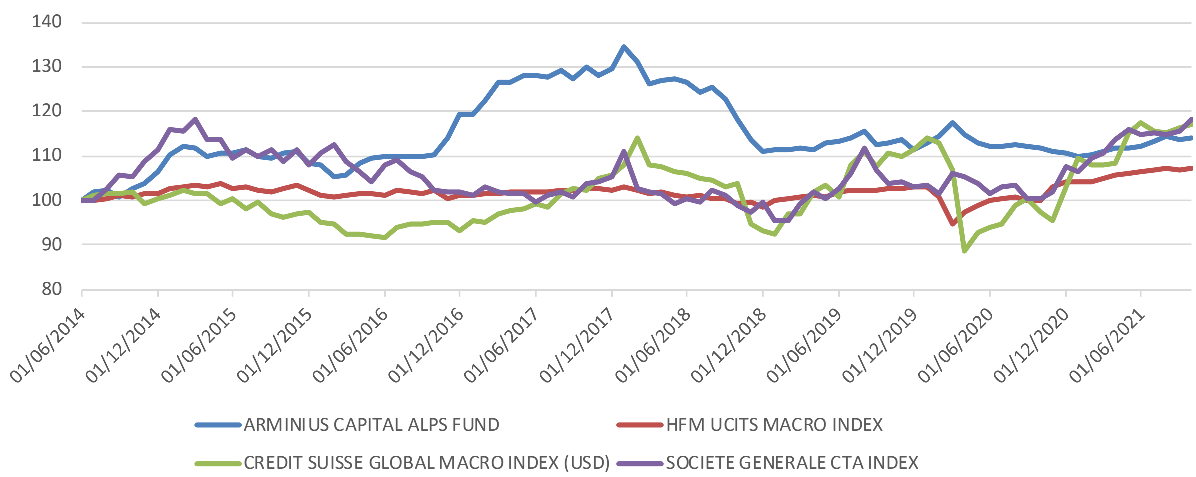
Monthly Asset Class average returns of individual constituents per SAA held open at month's end (in domestic market currency)



Monthly Performance since Inception July 2014



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



GLOBAL FINANCIAL MARKETS – MONTHLY DATA

EQUITIES	30-Sep-21	31-Oct-21	ROR
EUROPE			
Germany DAX (TR)	15260.7	15688.8	**2.81%**
Switzerland SMI (PR)	11642.5	12108.2	**4.00%**
STOXX Europe 600 (EUR)	454.8	475.5	**4.55%**
FTSE 100	7086.4	7237.6	**2.13%**
France CAC 40	6520.0	6830.3	**4.76%**
FTSE MIB	25683.8	26876.0	**4.64%**
Netherlands AEX	771.9	810.9	**5.05%**
Belgium BEL 20	4158.9	4278.5	**2.88%**
OMX Stockholm 30	2259.2	2290.9	**1.40%**
Norway Oslo All-Share	1270.8	1292.5	**1.71%**
Ireland FTSE	468.1	495.2	**5.78%**
Spain IBEX 35	8796.3	9057.7	**2.97%**
Cyprus CSE General	67.1	65.1	-3.00%
AMERICAS			
S&P 500	4307.5	4605.4	**6.91%**
DJ 30 Industrials	33843.9	35819.6	**5.84%**
DJ 65 Composite Average	11080.3	11936.3	**7.72%**
NASDAQ Composite	14448.6	15498.4	**7.27%**
Russell 1000	2418.2	2583.8	**6.85%**
S&P TSX	20070.3	21037.1	**4.82%**
Brazil Bovespa	110979.1	103500.7	-6.74%
Mexico IPC	51385.6	51309.8	-0.15%
ASIA			
S&P ASX 200	7332.2	7323.7	-0.12%
Nikkei 225	29452.7	28892.7	-1.90%
Hang Seng	24575.6	25377.2	**3.26%**
Korea KOSPI	3068.8	2970.7	-3.20%
FTSE Strait Times	3086.7	3198.2	**3.61%**
Taiwan TAIEX	16934.8	16987.4	**0.31%**
New Zealand NZX 50 (TR)	13275.8	13099.8	-1.33%
Shanghai SSE Composite	3568.2	3547.3	-0.58%
China Shenzhen A Share	2506.1	2511.4	**0.21%**
India S&P BSE SENSEX	59126.4	59306.9	**0.31%**
FTSE Bursa Malaysia KLCI	1537.8	1562.3	**1.59%**
Indonesia JSX	6286.9	6591.3	**4.84%**

FOREIGN EXCHANGE	30-Sep-21	31-Oct-21	ROR
AUD/USD	0.723	0.753	**4.04%**
EUR/AUD	0.624	0.651	**4.33%**
JPY/AUD	80.452	85.656	**6.47%**
GBP/USD	1.348	1.369	**1.59%**
CHF/USD	1.074	1.094	**1.81%**
USD/CAD	0.790	0.808	**2.30%**
EUR/GBP	0.861	0.845	-1.83%
EUR/USD	1.160	1.157	-0.27%
USD/CHF	0.932	0.915	-1.78%
GBP/AUD	1.864	1.822	-2.25%
CBOE Volatility Index (VIX)	23.14	16.26	-29.73%

COMMODITIES	30-Sep-21	31-Oct-21	ROR
Energy			
Crude Oil WTI (NYM $/bbl) Continuous	75.03	83.57	**11.38%**
Brent Crude (ICE $/bbl) Continuous	78.31	83.72	**6.91%**
NY Harbor ULSD (NYM $/gal) Continuous	2.34	2.48	**6.00%**
NY Harb RBOB (NYM $/gal) Continuous	2.19	2.37	**8.01%**
Natural Gas (NYM $/btu) Continuous	5.87	5.53	-5.76%
Precious Metals			
Gold (NYM $/ozt) Continuous	1757.00	1783.90	**1.53%**
Silver (NYM $/ozt) Continuous	22.05	23.95	**8.63%**
Industrial Metals			
Aluminum (LME Cash $/t)	2851.00	2695.00	-5.47%
High Grade Copper (NYM $/lbs) Continuous	9041.00	9955.00	**10.11%**
Nickel (LME Cash $/t)	18180.00	19480.00	**7.15%**
Iron Ore 62% CN TSI (NYM $/mt)	119.65	121.23	**1.32%**
Zinc (LME Cash $/t)	3015.00	3455.50	**14.61%**
Agricultural			
Corn (CBT $/bu) Continuous	5.37	5.68	**5.87%**
Soybeans (CBT $/bu) Continuous	12.56	12.50	-0.52%
Wheat (CBT $/bu) Continuous	7.26	7.73	**6.51%**
Cotton #2 (NYF $/lbs) Continuous	1.06	1.15	**8.55%**
Sugar #11 (NYF $/lbs) Continuous	0.20	0.19	-5.26%
Indices			
GS Commodity (CME) Continuous	557.40	587.15	**5.34%**
PowerShares DB Commodity Index Tracking Fund	20.18	21.35	**5.80%**
db x-trackers SICAV - db x-trackers DB COMMODITY BO	18.03	18.50	**2.58%**

10 YEAR SOVEREIGN YIELDS	30-Sep-21	31-Oct-21	Yield D
US	1.53%	1.55%	**0.03%**
UK	0.95%	1.03%	**0.08%**
Europe	-0.19%	-0.09%	**0.10%**
Australia	1.49%	2.08%	**0.59%**
Belgium	0.13%	0.25%	**0.13%**
Canada	1.51%	1.67%	**0.16%**
Denmark	0.10%	0.17%	**0.07%**
France	0.16%	0.29%	**0.13%**
Germany	-0.19%	-0.09%	**0.10%**
Greece	0.85%	1.32%	**0.47%**
Ireland	0.18%	0.34%	**0.16%**
Italy	0.86%	1.19%	**0.34%**
Japan	0.07%	0.09%	**0.02%**
Netherlands	-0.07%	0.06%	**0.12%**
New Zealand	2.00%	2.58%	**0.58%**
Norway	1.58%	1.69%	**0.11%**
Portugal	0.36%	0.54%	**0.19%**
Spain	0.46%	0.62%	**0.16%**
Sweden	0.39%	0.35%	-0.04%
Switzerland	-0.49%	-0.01%	-0.48%

ROR = Rate of Return
Yield D = Yield differential