MONTHLY PERFORMANCE REPORT
April 2022

The portfolio returned 1.53% for the month, compared with -0.85% for the S&P/ASX200 Accumulation Index. The Fund has achieved its returns with lower volatility than the S&P/ASX 200, as a consequence of the stocks selected by the investment process which is designed to eliminate high risk stocks therefore avoiding the chance of permanent loss of investor capital.

PERFORMANCE (Inception JUL-2018)	Arminius Capital ALCE Strategy	S&P/ASX200 Accumulation Index (AUD)
1 Month *	**1.53%**	-0.85%
3 Months	**9.58%**	7.99%
Calendar YTD	**-0.10%**	0.44%
1 Year	**9.54%**	9.28%
3 Years	**7.17%**	9.21%

All returns data for Arminius Capital ALCE Strategy and index data are sourced from the ***HUB24*** *platform, which ALCE is available upon.*
** 1 Month data taken from HUB24 which uses the COB value of the 1st calendar day of the month as the starting point.*

GENERAL INFORMATION

Base Currency: AUD
Entity Type: Strategy
PMs: Neill Colledge
Marcel von Pfyffer
Launch date: Jul-2018
Benchmark: ASX200 TR
Fees: 0.8% and 10% +GST
Domicile: Australia
Close of Financial Year: 30th June
Dealing: Daily

Arminius Capital ALCE Strategy (Inception July-2018) Returns are net of fees

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY
2018	-	-	-	-	**INCEPTION =>**		-0.05%	0.99%	-3.17%	-7.46%	-2.66%	-4.58%	N/A
2019	1.97%	4.67%	2.58%	2.37%	0.95%	1.84%	4.09%	-0.39%	1.48%	-1.52%	2.01%	-2.41%	21.50%
2020	3.48%	-6.87%	-23.2%	7.05%	6.48%	1.08%	0.34%	3.59%	-1.70%	3.47%	6.49%	0.78%	-4.68%
2021	-0.72%	-0.17%	4.92%	3.54%	0.66%	1.83%	-0.29%	3.81%	-2.64%	1.77%	-1.04%	6.04%	15.31%
2021	-8.05%	2.81%	5.13%	1.53%	-	-	-	-	-	-	-	-	-0.10%

INVESTMENT MANAGER

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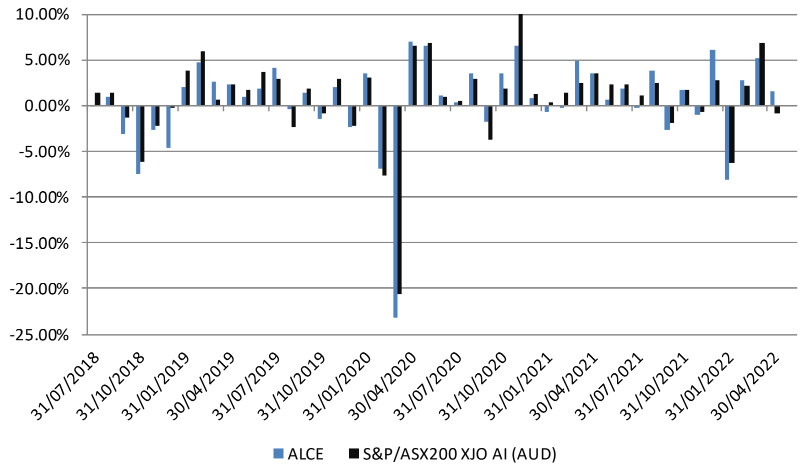
STRATEGY OBJECTIVES:
The aim of the ALCE (Australian Low Correlation Equities) portfolio is to outperform the S&P/ASX 200 (TR) Index over rolling 5-year periods. The portfolio will also aim to deliver above market dividend income and lower volatility than the S&P/ASX 200 (TR) Index. The investment process starts with taking the constituents of the investment universe, the S&P/ASX200, and applying quantitative filters to screen out companies which have high volatility or low dividend yield or low earnings quality. The objective is not to maximise returns, but rather to eliminate high risk stocks.

INVESTMENT STRATEGY: The investment strategy underlying this portfolio is founded on the belief that (i) stocks with above-average dividend yields tend to outperform in the long term, provided that a filter for earnings quality is applied and (ii) low volatility stocks tend to outperform in the long term, especially if a valuation measure is added to the stock selection process.

The portfolio is designed for investors who (i) are seeking exposure to a concentrated core portfolio of Australian equities with returns comprising of both capital appreciation and income; (ii) accept the risk of price fluctuations particularly over periods less than the minimum investment timeframe and accept that capital preservation is not guaranteed; and (iii) are prepared to invest for the minimum investment timeframe of five years.

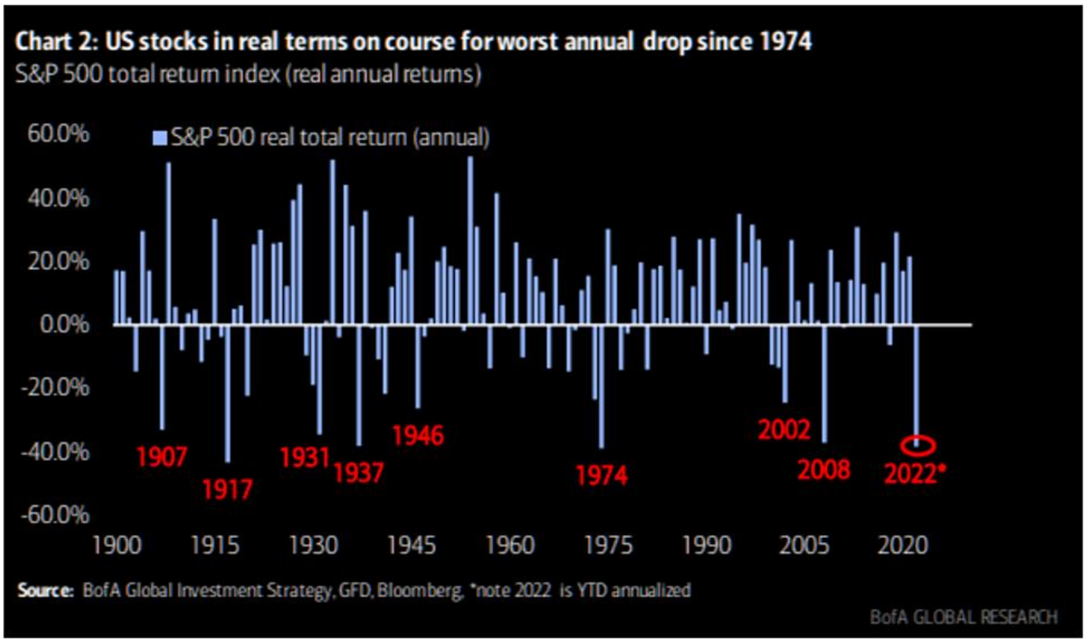
Portfolio performance statistics will be provided as soon as the ALCE portfolio has sufficient history to be meaningful.



FUND MANAGER COMMENTARY

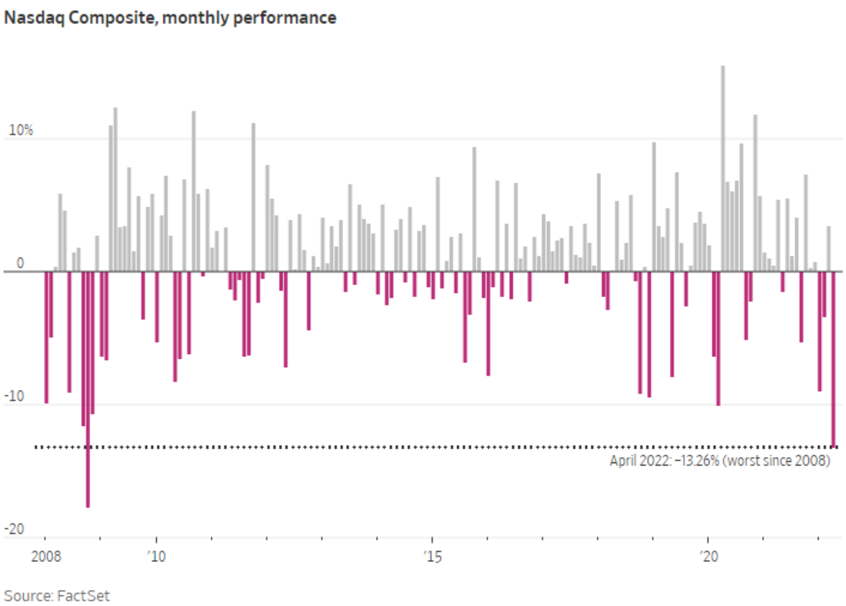
April continued the brutality of 2022 – the year when the largesse of the Fed and the Biden Administration's expansion of money supply led to the inevitable raising of interest rates and commencement of QT required to offset circa. US$30 Trillion of paper money created since March 2020. The laws of gravity apply equally to apples as they do to financial markets, although we typically take to referring to gravity as "mean reversion".

<u>Chart 1. US Equities in Real Terms lead worst annual drop since 1974</u>



US equity markets as measured by the S&P500 fell -8.80%, bringing the YTD declines to -13.31%. The tech heavy NASDAQ index is now down -21.16% YTD (satisfying the technical definitions of having entered a bear market) with a colossal -13.26% collapse in April. We have been warning about the nose bleed valuations and price levels of the US tech sector for some time.

<u>Chart 2. US Tech Stocks worst month since 2008</u>

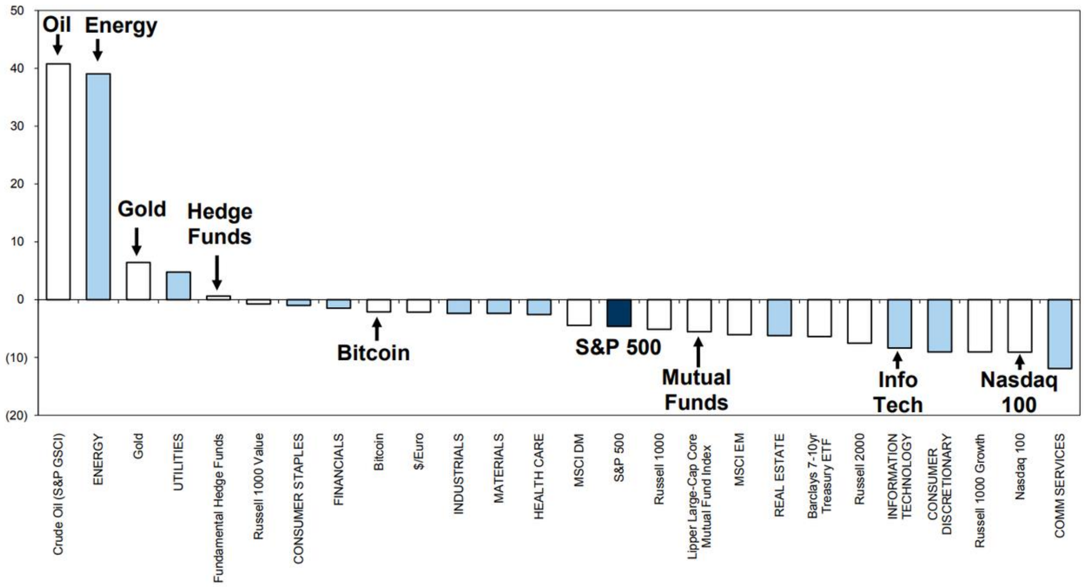


European equities have not been spared the carnage that its US counterpart, The Federal Reserve, has wrought, with April giving back -1.20% on the STOXX Europe 600 Index. European equities have been more resilient than US equities this year – although it's a poor benchmark – falling "only" -7.67% year to date.

Japan's NIKKEI index fared far better than its trans-atlantic bretheren, falling "only" -3.50%, and Australia fared best of all in global equities markets, falling only -0.86% in April. Australian benchmark indices are comprised disproportionately (relative to global peers) of banking & resource stocks and due to the amazing commodity boom of 2022, the Australian market is holding up relatively well.

Commodities continued their stratospheric ascent in April, with crude oil up +4.40%, natural gas up +30.36% (for the month), corn up +8.65% and cotton up +7.33%. This asset class has been the star performer for 2022, as the inflation genie – absent for 40 years – has finally sprung out of the bottle.

Chart 3. Asset Returns 2022 YTD



Source: Goldman Sachs

As Chart 3 above shows, the 4 best USD returning assets in 2022 YTD have been Oil, the energy basket, Gold, US utilities and fundamentals-focussed Hedge Funds. 4 out of those 5 will have partial (hedge funds) or complete (oil, energy, gold) exposure to commodities as an asset class. This reinforces what we have been saying through out 2022 to date, that "recent past experience" of the 1970s demonstrates that in an inflationary heightened environment, one of the key beneficiaires is commodities.

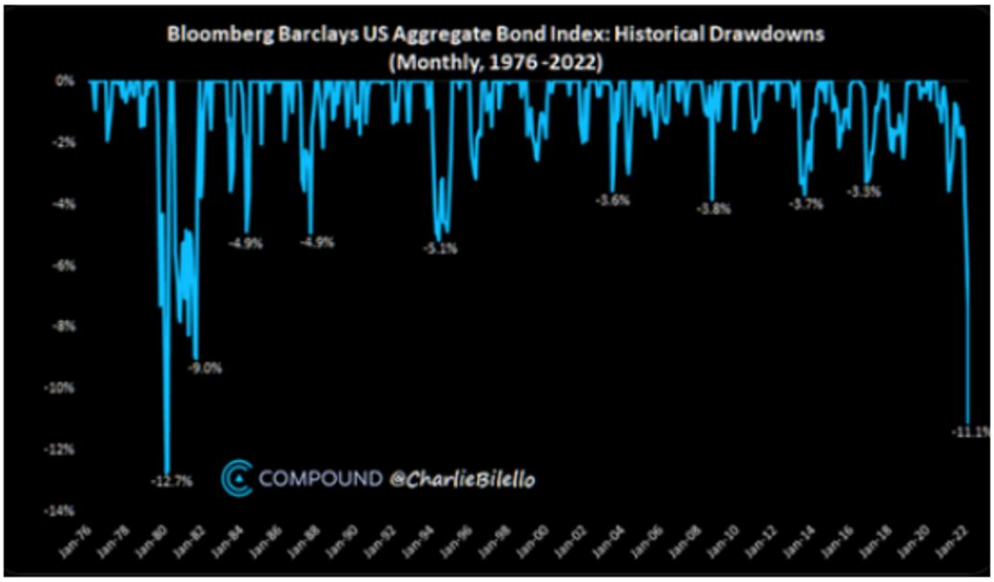
Volatility remains oddly subdued at 33.4 (even having started April at 20.5). Markets have historically demonstrated far higher levels of implied volatility (~40) when they have suffered equivalent continued month-on-month declines, so it is a matter of some interest that the VIX has remained suppressed for so many months this calendar year.

Finally, to the most important market in the world, the US risk-free arena: US 10 year bond yields caused massive waves of wealth destruction in April (for bond holders). Rates moved from 2.32% at the end of March to a 10 year yield of 2.89% on 30 April.

Chart 4. US Bond Market – Worst Drawdown in 42 Years

Largest bond drawdown in 42 years

At -11%, this is the largest drawdown in the US bond market since 1980. Back then the 10-year treasury yield was at 12.6%. Today it's at 2.9%.



Source: Compound

As the Fed is forced to capitulate to further necessary interest rate rises now that they have observed that inflation seems not to be "temporary", we expect to see the risk free rate with a 3 handle well into the second half of the year. Bringing with it, of course, a sense of heightened displeasure to equities markets as the world's savers begin to see something they haven't seen for nigh on a decade – a decent rate of return for holding cash. Flows will move correspondingly across asset classes as the TINA narrative finally ends up 6 foot under.

PORTFOLIO POSITIONING

The ALCE portfolio is made up of companies from many sectors whose common characteristics are strong cash flow, a sustainable business model, and a sound competitive position.

At end-April, FactSet data shows the ALCE portfolio has a FY22 forecast dividend yield of 4.36% and a FY22 forecast P/E of 14.8x.

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