

**COMMENTARY**

The Fund returned 3.22% for the month of May 2025.<sup>1</sup> Net exposure averaged 33% long, while gross averaged 116%. This brings the calendar year return to -1.06% and the Strategy since inception return to 17.52% p.a. net of fees.<sup>2</sup>

Gains through the month of May were generated from *Aerospace* (+161 bps), *Special Situations* (+105 bps) and the *China Champions* (+79 bps) long themes. Losses stemmed from the short theme in *Shippers* (-66 bps) and a net short equity index exposure from the *Index & Derivatives* book theme (-49 bps).

**Short term**

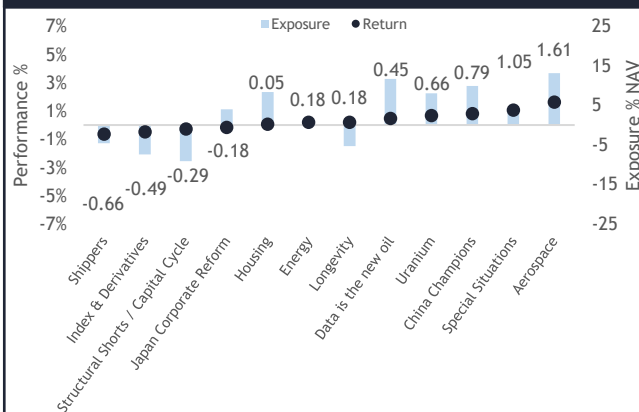
As we enter the northern hemisphere summer, there are some increasing visible risks ‘white swans’ (an internal classification, whereby a clear distinction is made between the “known” unknowns - termed ‘white swans’, as opposed to the “unknown” unknowns - termed ‘black swans’). Global trade is being supported, if not elevated, by the 90-day tariff relief seeing a demand pull forward but what does the economy look like after this easing? The long end of global bond markets appears to be on thin ice, as fixed income investors are forced to digest an ever-increasing amount of government debt. Geopolitical tensions appear once again to be rising in both the Middle East and Europe. The United States global relations change day-by-day based on posts on ‘Truth Social’. In short, there seems to be just a couple of balls in the air that can derail risk guiding the short-term caution on risk assets.

*Commentary continues on next page.*

**STRATEGY METRICS - FROM MAY 2013<sup>1,2</sup>**

Annualised returns	17.52%
% Positive months	61.11%
Average monthly return	1.42%
Average return in MSCI up months	1.28%
Average return in MSCI down months	1.65%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	24
Sortino	3.57
Sharpe ratio	1.41

**THEME CONTRIBUTORS TO PERFORMANCE<sup>1,3</sup>**



**CORRELATION SINCE MAY 2013<sup>1,2</sup>**

Global Equity Markets	0.04
US\$ Gold	-0.01
Bloomberg Commodities Index	0.01
Hedge Fund L/S	0.04

**MONTHLY SUMMARY METRICS<sup>1</sup>**

NET RETURN	AV GROSS EXP	AV NET EXP
3.22%	116%	33%

**STRATEGY<sup>2</sup> PERFORMANCE FROM MAY 2013 (NET RETURN %)<sup>1</sup>**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013						13.07	7.63	2.97	2.82	-2.69	5.23	-5.25	25.00
2014	7.61	6.56	2.43	0.77	8.87	-0.93	8.46	-3.78	0.34	7.78	3.24	1.92	51.59
2015	4.46	2.88	1.99	3.19	4.12	-0.52	3.44	11.47	5.23	0.00	3.67	5.72	55.80
2016	-6.09	2.14	-5.17	-2.83	3.30	0.40	2.69	7.49	6.29	-1.15	-2.34	0.48	4.33
2017	7.99	-4.01	-2.94	-0.34	0.43	4.08	4.21	-0.02	3.37	2.79	-2.32	5.51	19.58
2018	3.47	0.88	0.72	-1.68	-1.86	0.09	0.03	0.66	1.24	-0.18	-2.61	-0.50	0.12
2019	-1.66	0.53	-0.30	-1.16	-1.90	0.29	1.70	1.72	-2.10	-2.04	3.20	1.05	-0.82
2020	-1.90	-4.03	6.32	8.76	1.82	-1.47	2.69	4.29	-4.08	-3.45	9.76	7.61	27.97
2021	3.38	5.98	2.81	4.09	5.28	-0.67	-2.93	5.88	6.04	1.29	5.63	-0.45	42.34
2022	2.20	-0.57	-1.61	1.14	2.78	-2.37	-1.74	5.23	-2.20	-3.20	-1.19	1.74	-0.15
2023	-0.42	-2.45	-0.50	-0.87	0.94	1.87	0.75	1.45	3.06	-2.83	-0.35	3.07	3.59
2024	1.06	-2.01	3.88	1.35	0.73	-1.02	-3.49	-2.06	3.32	0.57	-0.67	0.33	1.75
2025	0.92	-0.14	-2.90	-2.05	3.22								-1.06

1. Past performance is not an indicator of future performance. This is historical performance data. Class D is based on month end unit prices in Australian dollars. Net return is calculated after management fees and operating costs. Individual investor level taxes are not taken into account when calculating net returns. Fund inception date: 31 July 2020. 2. To provide a longer-term view of our performance, we have shown returns for the Arnott Opportunities Strategy (shaded). Performance is calculated using monthly returns (after fees) from Jun-13 to Dec-17 for Bondi Capital Investments Pty Ltd (managed account) which is net of 0% management fee & 25% performance fee. From Jan-18 to Jul-20 is the performance of the Fund (Founder Class - closed to new & additional investments). Performance is net of 0% management fee & 25% performance fee. 3. Theme contributors to performance is gross of fees and exclusive of Cash for the Strategy.

## COMMENTARY CONTINUED

## Long term

Arnott are bullish of the opportunities that lies ahead, both on the long and the short sides. Much has been written on the end of U.S. exceptionalism. This is a significant call and frankly falls outside the team's decision-making framework. Where there is conviction, however, is in making the call that the investing environment has changed, and a new set of structural trends distinct from those of preceding decades is emerging.

## New trends

1. **Globalisation to De-globalisation:** Globalisation benefitted everyone by sourcing production from countries with the lowest cost globally. This trend is now reversing, with developed economies, led by government policy pursuing agendas of near shoring supply chains and seeking surety of supply.
2. **Fiscal awakening of Europe:** Led by Germany, the European Union is waking from its slumber and pursuing expansionary fiscal policies to accelerate growth in the region.
3. **Artificial Intelligence ('AI'):** Artificial intelligence is still in the early stages of adoption with significant productivity gains expected for companies that embrace AI and those with extensive proprietary data readily available to monetise.
4. **A hurdle rate for investment:** Once again, there is a cost of capital. In an effort to re-wire the existing global economy and build infrastructure to support these trends the likelihood of returning to a zero-rate environment in the next decade is very low.

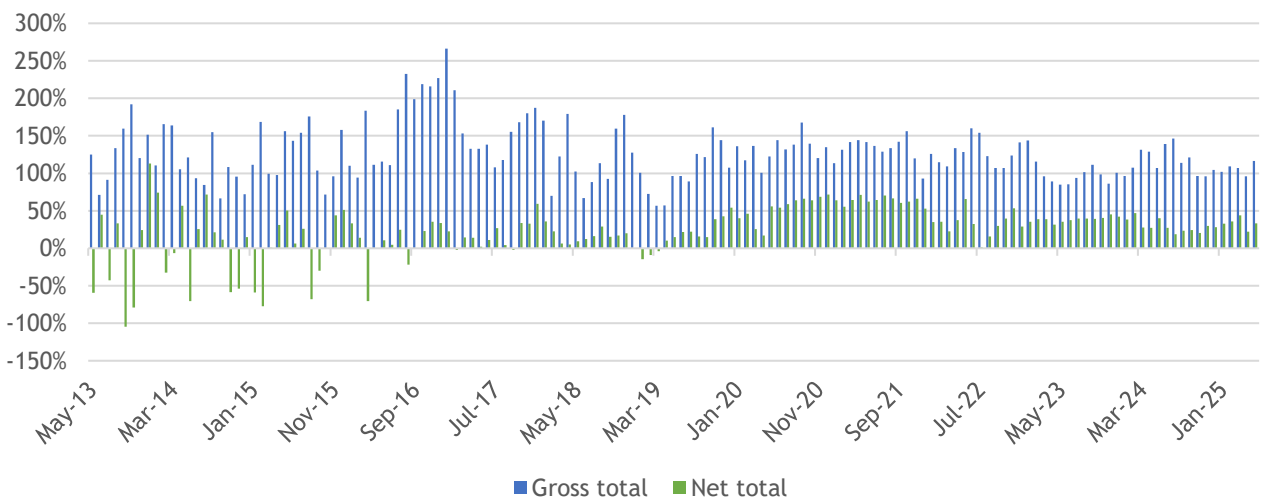
*"Investing is often a game of relative selection - sometimes it's about choosing the least flawed alternative rather than finding the perfect investment."* - Howard Marks

In the preceding decades, it seemed, as if much of the world was dormant. Japan was fighting deflation, Europe was dealing with an ailing economy, multiple emerging economies would illicit boom-bust sequences as foreign capital would come in and then out, driving instability. While this was ongoing, the United States powered ahead with innovation creating the dominant companies, we know today. This steadfastness is likely to remain, but the building blocks now appear to be in place for capital to look beyond just the United States and capitalise on the changing global environment.

Arnott sees opportunities emerging on both the long and short sides against this backdrop. Arnott expects gross risk to increase as a result.

STRATEGY NET AND GROSS HISTORICAL EXPOSURE<sup>2</sup>

## Net and Gross Exposure



**ARNOTT OPPORTUNITIES TRUST**

CLASS D (APIR: ANC6332AU)

MAY 2025

**INVESTMENT STRATEGY**

The Fund adopts an absolute return strategy, focusing on thematic investment opportunities with an equity bias. We seek to achieve the investment objective through our asymmetric investment approach which includes:

1. Finding what we perceive to be good quality investments based on our analysis; and
2. Not losing money in the pursuit of realising these investments.

We strive to achieve asymmetric returns through a thematic investment process. This has four pillars.

1. Find asymmetric themes;
2. Invest in the best ideas within those themes;
3. Focus on macro drivers for risk & opportunities; and
4. Generate an asymmetric return profile.

**IMPORTANT INFORMATION**

Arnott Capital Pty Ltd	AFS License 233743 ABN 23086081889	<b>CONTACT DETAILS</b>	<a href="mailto:clientservices@channelcapital.com.au">clientservices@channelcapital.com.au</a>
<b>STRATEGY INCEPTION<sup>4</sup></b>	1999		
<b>FUND NET ASSET VALUE<sup>5</sup></b>	A\$148.7m	<b>REDEMPTION PRICE</b>	\$1.0674
<b>FEE STRUCTURE</b>	<b>Management Fee</b>	<b>Performance Fee</b>	<b>Availability</b>
<b>Class A (Founder Class)</b>	0%	25%	Closed to new investors
<b>Class D</b>	1.5375% <sup>6</sup>	20% <sup>7</sup>	Applications/Redemptions - Daily

4. The same investment approach has been utilised since 1999, from 1999 to 2005, leverage used during this period was much higher than later periods.

5. Net Asset Value is calculated as Fund assets less Fund liabilities.

6. Including the net effect of GST less any RITC payable monthly in arrears on the Net Asset Value and excludes expense recoveries of 0.1241%.

7. Performance fee of 20% (plus GST) based on outperformance above the High Water Mark, accruing daily and payable monthly in arrears. Refer to the PDS for further information on the performance fee.

**Fund Disclosures**

- Key service provider changes - nil
- Key individual changes - nil
- Risk profile or investment strategy material changes - nil

**Definitions**

**Sharpe ratio:** The Fund's annualised average monthly excess return (net of fees) divided by Fund volatility.

**Sortino ratio:** A risk-adjustment measurement which determines the additional return for each unit of downside risk.

**Volatility:** Annualised standard deviation of monthly returns (net of fees) since inception.

**Disclaimer**

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