

# ARNOTT OPPORTUNITIES TRUST

CLASS D (APIR: ANC6332AU)

MARCH 2025

## COMMENTARY

The Fund returned -2.90% for the month of March 2025.<sup>1</sup> Net exposure averaged 44% long, while gross averaged 107%. This brings the calendar year return to -2.14% and the Strategy since inception return to 17.67% p.a. net of fees.<sup>2</sup>

Gains through the month of March, were generated from the long themes in *Index & Derivatives* (+73 bps) and *Structural Shorts* (+46 bps). With losses stemming from the *Data is the New Oil* theme (-117 bps) and the *Longevity* theme (-108 bps).

The markets have gone from having some concerns on Artificial Intelligence ('AI') capital expenditure to a complete about turn on U.S. exceptionalism. U.S. exceptionalism had its roots going back to roughly 2010 and peaked during January 2025. As recently as late 2024, it was predicted that U.S. valuations should and would trade structurally higher because of the U.S. economy being less volatile and less recession prone, and that companies would generate structurally higher margins, leading to higher returns and companies would continue to return more capital to shareholders.

These predictions are now being called into question. While there are many uncertainties, what is clear is that the U.S. economy is likely caught in a policy-induced slowdown. Forecasting the effects of this will be challenging, as there are only a few guideposts. The intention is not to make a forecast, however, the current market regime needs to be analysed for the types of risks it presents and the probabilities of the regime changing. In this new uncertain environment, it will be challenging for valuations to move significantly higher from where they are currently.

*Commentary continues on next page.*

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

Annualised returns	17.67%
% Positive months	61.27%
Average monthly return	1.43%
Average return in MSCI up months	1.29%
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	1.42

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



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

Global Equity Markets	0.03
US\$ Gold	-0.02
Bloomberg Commodities Index	0.00
Hedge Fund L/S	0.04

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

NET RETURN	AV GROSS EXP	AV NET EXP
-2.90%	107%	44%

## 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										-2.14

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

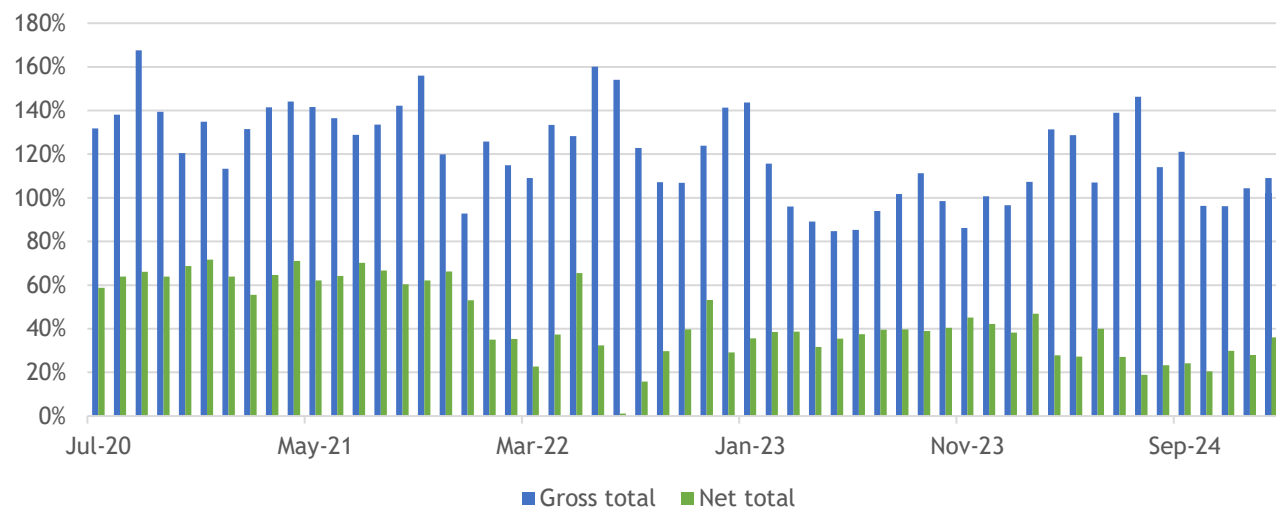
The current U.S. earnings season is unlikely to provide clarity on the outlook, as the tariff news is still recent. Furthermore, there is a likelihood of front loading some of the orders that may skew economic data.

For this reason, Arnott is taking a cautious approach until any real clarity emerges. In the meantime, positioning remains quite light, and - whether intended or otherwise - we're watching how U.S. President Donald Trump and his administration respond to movements in the U.S. Treasury and equity markets. So far, their response indicates that the fiscal policy will not run wild, and ultimately it is likely the Federal Reserve will intervene if there is significant slowdown. That leaves us in a large range bound market basis in the S&P 500.

Because the portfolio is neither heavily concentrated in the U.S. nor in U.S. Big Tech where there has been significant derating, the themes have not significantly changed. However, in a range bound market, Arnott plans to manage the net risk with a trading orientation and tighter overall net market risk. The low probability but high impact event would be that it's the wrong policy and geopolitical tensions escalate. Under this scenario, Arnott is prepared to swiftly change the portfolio structure, if needed.

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

Net and Gross Exposure



Source: Arnott Capital. For illustrative purposes only.

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**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	CONTACT DETAILS	<a href="mailto:clientservices@channelcapital.com.au">clientservices@channelcapital.com.au</a>
STRATEGY INCEPTION <sup>4</sup>	1999		
FUND NET ASSET VALUE <sup>5</sup>	A\$170.5m	REDEMPTION PRICE	\$1.0557
FEE STRUCTURE	Management Fee	Performance Fee	Availability
Class A (Founder Class)	0%	25%	Closed to new investors
Class D	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 - On 27 March 2025, the Fund was registered as a managed investment scheme with ASIC.
- 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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