

COMMENTARY

The fund returned negative 1.52% for the month of February 2024. Net exposure averaged 47% long, while gross averaged 107%. This brings our calendar year return to negative 0.57% and since inception return to positive 20.01% p.a. net of fees.

Throughout February, key contributors to fund performance were our long *Japan Corporate Reform* and *Data is the New Oil* themes. Key detractors were our *Uranium*, *Special Situations*, and *Commodity* themes.

Our *Data Is the New Oil* theme is predicated on the thesis that as our use cases for data increase, so too will the demand for computing power, which is set to drive a surge in industry profitability for the semiconductor industry. Expression of this theme is concentrated in Asian semiconductor names that are yet to fully recover from a deep industry depression as the boom of 2021 was met with the bust of 2022 and a very slow recovery through 2023, as the lingering impacts of de-stocking continued to plague the industry.

As we move into 2024, Artificial Intelligence ('AI') euphoria is being converted into spending by corporates, inventory levels are clean in most end markets and industry supply has been constrained, setting the stage for a material rise in prices and industry profitability. The theme remains primarily expressed through long positions in South Korean memory names and semiconductor equipment names across Asia.

This theme has a downside that revolves around a question lingering in the minds of many, if not most individuals - **is AI a bubble?**

Our view is that it is far too early to tell. Our reasoning comes down to the theory of reflexivity and its application to financial markets, made famous by George Soros. The theory holds that there is a feedback loop where investors' prevailing biases can validate themselves by not only impacting market prices, but also the fundamentals these market prices are set to reflect. When we apply this logic to the realm of AI, it seems as though companies have inundated us with their AI strategies for the past 6-months. Investor conferences are dominated by discussions surrounding AI plans, and these stocks have become the sole focus of market participants. Given this, it appears probable that the boom in spending on AI initiatives has only just begun, driven by the imperative for every management team to validate their relevance in a world with AI. We believe the phase 2 and 3 beneficiaries are only just commencing; AI "enabled" companies (e.g. software incorporating AI to enhance their products/revenues) and AI "productivity" spending (e.g. labour-intensive industries).

PERFORMANCE METRICS

From May 2013

| | |
|------------------------------------|---------|
| Annualised returns | 20.01% |
| % Positive months | 65.12% |
| Average monthly return | 1.60% |
| Average return in MSCI up months | 1.49% |
| Average return in MSCI down months | 1.77% |
| Best month | 13.07% |
| Worst month | -6.09% |
| Largest drawdown | -11.61% |
| Longest drawdown (mths) | 24 |
| Sortino | 3.79 |
| Sharpe ratio | 1.59 |

THEME RETURN & EXPOSURE (FEBRUARY 2024)



CORRELATION TO ASSETS

| | |
|-----------------------------|-------|
| Global Equity Markets | 0.04 |
| US\$ Gold | 0.01 |
| Bloomberg Commodities Index | -0.02 |
| Hedge Fund L/S | 0.02 |

MONTHLY SUMMARY METRICS

| | | |
|------------|--------------|------------|
| NET RETURN | AV GROSS EXP | AV NET EXP |
| -1.52% | 107% | 47% |

STRATEGY HISTORICAL PERFORMANCE (%)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Annual |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 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 | -1.33 | 0.20 | -0.21 | -0.95 | -1.87 | 0.50 | 1.75 | 1.53 | -1.91 | -2.00 | 3.28 | 1.12 | -0.04 |
| 2020 | -2.03 | -5.10 | 7.77 | 7.95 | 1.60 | -1.31 | 3.22 | 4.56 | -3.56 | -3.90 | 9.33 | 8.24 | 28.38 |
| 2021 | 3.43 | 5.63 | 2.80 | 4.05 | 5.19 | -0.48 | -2.74 | 5.37 | 5.86 | 1.87 | 4.51 | 0.22 | 41.60 |
| 2022 | 1.61 | 0.17 | -0.73 | 0.32 | 2.65 | -1.85 | -0.96 | 3.75 | -1.79 | -2.93 | -0.48 | 2.21 | 1.75 |
| 2023 | 0.26 | -2.97 | -0.12 | -0.77 | 0.99 | 2.39 | 1.12 | 1.03 | 2.37 | -2.72 | 0.21 | 3.15 | 4.84 |
| 2024 | 0.97 | -1.52 | | | | | | | | | | | -0.57 |

Past performance is not necessarily an indicator of future performance.

2013 - 2017 Data. Bondi Capital Investments Pty Ltd (managed account). Performance net of 0 & 25 fees. Currency AUD. Fund administered by Apex. Fund was not audited.

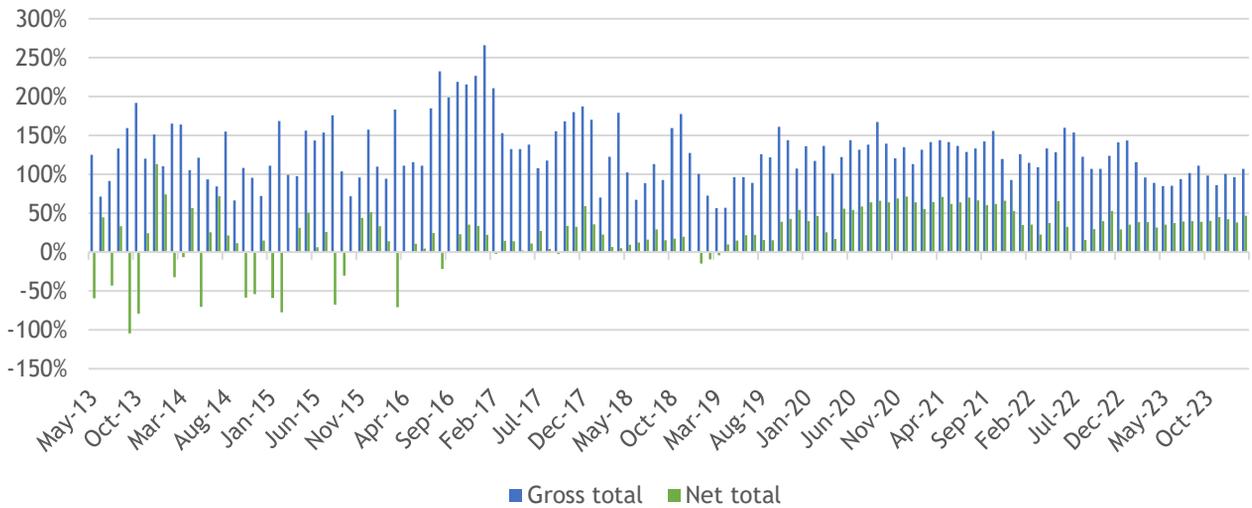
2018 - 2019 Data. Australian Unit trust. Performance net of 0 & 25 fees. Currency AUD. Fund administered by Apex. Fund audited by EY.

2019 - Current Data. Arnott Opportunities Fund (Cayman). Performance net of 0 & 25 fees. Currency USD. Fund administered by Apex. Fund audited by EY.

Above data and fees apply to the Arnott Opportunities (Cayman) Fund - Main Class (Founder Class). Other classes will be subjected to different fees. For a copy of the Offering Memorandum, please contact investor relations at investor@arnott.com.au.

NET AND GROSS HISTORICAL EXPOSURE

Net and Gross Exposure



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.

FUND INFORMATION

| | | | |
|---------------------------|-----------------------|------------------------|--|
| BASE CURRENCY | USD | ARNOTT CAPITAL PTY LTD | AFSL License 233743 ABN 23086081889 |
| STRATEGY INCEPTION | 1999 | CONTACT DETAILS | investor@arnott.com.au |
| MINIMUM SUBSCRIPTIONS | USD \$100,000 | WITHDRAWALS | Monthly |
| FUND ADMINISTRATOR | Apex Group Ltd. | PRIME BROKER | Morgan Stanley International PLC J.P. Morgan Securities PLC |
| LEGAL ADVISORS | Ernst and Young | FUND AUDITOR | Ernst and Young |
| FEE STRUCTURE | Management Fee | Performance Fee | Subscriptions |
| * Class A (Founder Class) | 0% | 25% | Closed to new investors |
| Class C | 1.5% | 20% | Monthly |

* All data displayed in this document is Founder Class data. Other classes will be subjected to different fees. For a copy of the Offering Memorandum, please contact investor relations at investor@arnott.com.au.

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Representative in Switzerland is Pvb Pernet von Ballmoos AG, Zollikerstrasse 226, 8008 Zürich where the prospectus / offering memorandum, the articles of association as well as the annual report may be obtained free of charge from the representative. Paying Agent in Switzerland is Helvetische Bank, Seefeldstrasse 215, 8008 Zürich. For investors who have acquired the units sold in Switzerland, the place of performance and the court of jurisdiction have been established at the registered office of the representative.

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