

COMMENTARY

The fund returned positive 0.21% for the month of November 2023. Net exposure averaged 45% long, while gross averaged 86%. This brings our calendar year return to positive 1.64% and since inception return to positive 20.25% p.a. net of fees.

“Any year that passes in which you don’t destroy one of your best loved ideas is a wasted year”. - Charlie Munger

In an ode to the late and great Charlie Munger, we thought we would share one of the beloved ideas we have recently destroyed.

Towards the end of November and into early December, we have fully exited all our exposure in the Theme: *Japan Low Price to Book*. Following measures released by the Tokyo Stock Exchange (‘TSE’), in March of this year, we were of the belief that change was in the winds for listed corporate Japan. Particularly, those deep value Japanese equities (price to book ratios below 1x), which have caught the eye of every value investor for the past decade.

As we expanded our research into corporate Japan, it had become apparent to us that the TSE’s ambitions are not purely focused on corporates with price to book ratios below 1x, but the whole market expanding their return on equity, increasing corporate disclosure, and lifting shareholder returns. This neatly coincides with the Government’s objective of ending the era of deflation and driving economic growth by creating a virtuous cycle of wage growth and increasing corporate capital expenditure, something Japan has gone without for the best part of thirty years.

To us, this is the clear opportunity in Japan. We see a once in a generation opportunity to own a wide variety of underperforming companies, at incredibly cheap valuations, in the early innings of their reform agendas, which are set to be turbocharged by the TSE’s increasing focus.

Which at the margin, despite significant progress in enhancing shareholder returns, corporate disclosures and a focus on improving ROE, may see the pressure on the sub 1x price to book Japanese stocks subside. Given this, alongside the material outperformance of this basket of securities year to date, we believe the risk / reward no longer stacks up as an asymmetric opportunity.

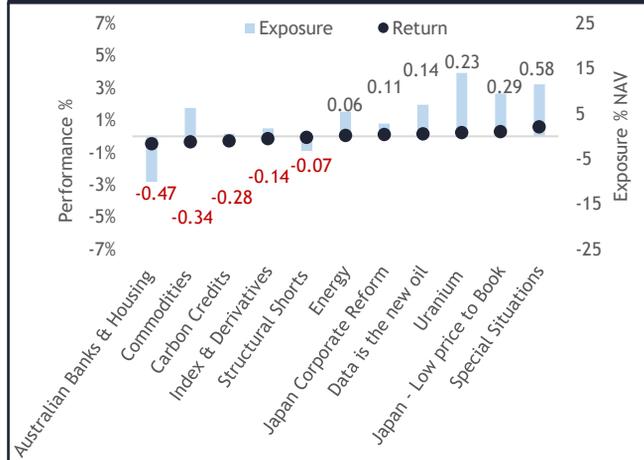
As one door closes, another door opens. We look forward to providing more detail on our Theme: *Japan Corporate Reform* in the coming months as we expect to deploy a meaningful amount of risk in this theme.

PERFORMANCE METRICS

From May 2013

Annualised returns	20.25%
% Positive months	65.08%
Average monthly return	1.61%
Average return in MSCI up months	1.52%
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	3.76
Sharpe ratio	1.59

THEME RETURN & EXPOSURE (NOVEMBER 2023)



CORRELATION TO ASSETS

Global Equity Markets	0.05
US\$ Gold	0.00
Bloomberg Commodities Index	-0.02
Hedge Fund L/S	0.03

MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
0.21%	86%	45%

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		1.64

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.

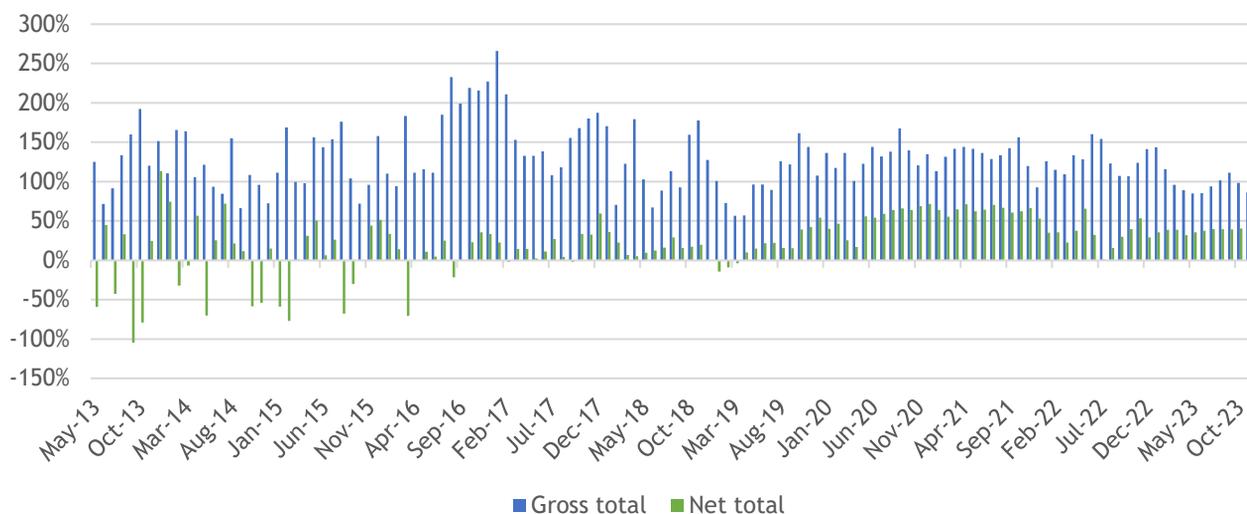
2018 - 2019 Data. Australian Unit trust. Performance net of 0 & 25 fees. Currency AUD. Fund administered by Apex. Fund audited by EY.

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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