

## COMMENTARY

The fund returned negative 0.96% for the month of July 2022. Net exposure averaged 1% long, while gross averaged 154%. This brings our Calendar Year Return to positive 1.15% and since inception return to positive 23.22% p.a. net of fees.

Since the end of 2021 we have taken a cautious view on risk assets as we saw two headwinds emerging as we entered into 2022:

1. The Federal Reserve, alongside other central banks were set to commence withdrawing liquidity from global financial markets by both raising rates and Quantitative Tightening ('QT'); and

2. The tremendous pace of global growth experienced since the pandemic lows was set to moderate as the global economy commenced the processes of normalizing without the sugar hit of pandemic stimulus.

Our net portfolio exposure is primarily determined by our macro view, given this portfolio positioning has reflected our cautious stance. With growth slowing and the Federal Reserve Board only commencing QT in June, we are still of the belief that risk assets will be challenged through the back end of 2022 and are reflecting this via neutral net portfolio positioning.

Our gross and thematic exposure is determined by both our bottom up and top-down view. What is interesting is that the size and number of short themes and individual positions is growing. This is because we are building conviction in multiple short opportunities. It is pleasing to see both more risk in the portfolio and a more naturally balanced portfolio of long and short positions without the use of large short index hedges

We recently held a webinar delving deeper into current portfolio positioning and our updated views on the market. To view the replay please click [here](#).

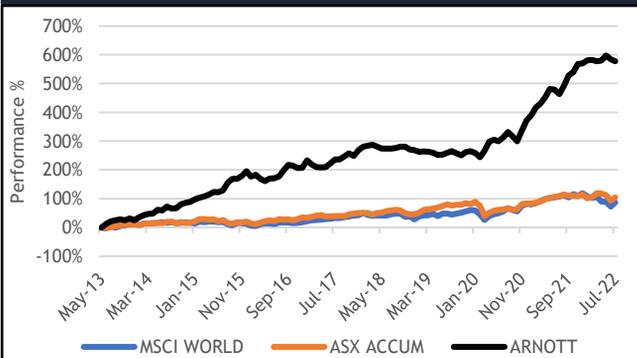
## PERFORMANCE METRICS

|                                | From May 2013 |         |
|--------------------------------|---------------|---------|
|                                | Arnott        | MSCI    |
| Annualised returns             | 23.22%        | 7.04%   |
| % Positive months              | 66.36%        | 63.64%  |
| Average monthly return         | 1.82%         | 0.65%   |
| Avg return in MSCI up months   | 1.69%         | 2.99%   |
| Avg return in MSCI down months | 2.05%         | -3.44%  |
| Best month                     | 13.07%        | 12.66%  |
| Worst month                    | -6.09%        | -13.47% |
| Largest drawdown               | -11.61%       | -21.44% |
| Longest drawdown (mths)        | 24            | 20      |
| Sortino                        | 4.16          | 0.67    |
| Sharpe ratio                   | 1.76          | 0.50    |

## CORRELATION TO ASSETS (2013 to Current)

|                             |       |
|-----------------------------|-------|
| MSCI Index                  | 0.06  |
| US Government Bond Index    | -0.04 |
| US\$ Gold                   | 0.02  |
| Bloomberg Commodities Index | -0.04 |
| Hedge Fund L/S              | 0.01  |

## CUMULATIVE FUND PERFORMANCE (2013-current)



## MONTHLY SUMMARY METRICS

|            |              |            |
|------------|--------------|------------|
| NET RETURN | AV GROSS EXP | AV NET EXP |
| -0.96%     | 154%         | 1%         |

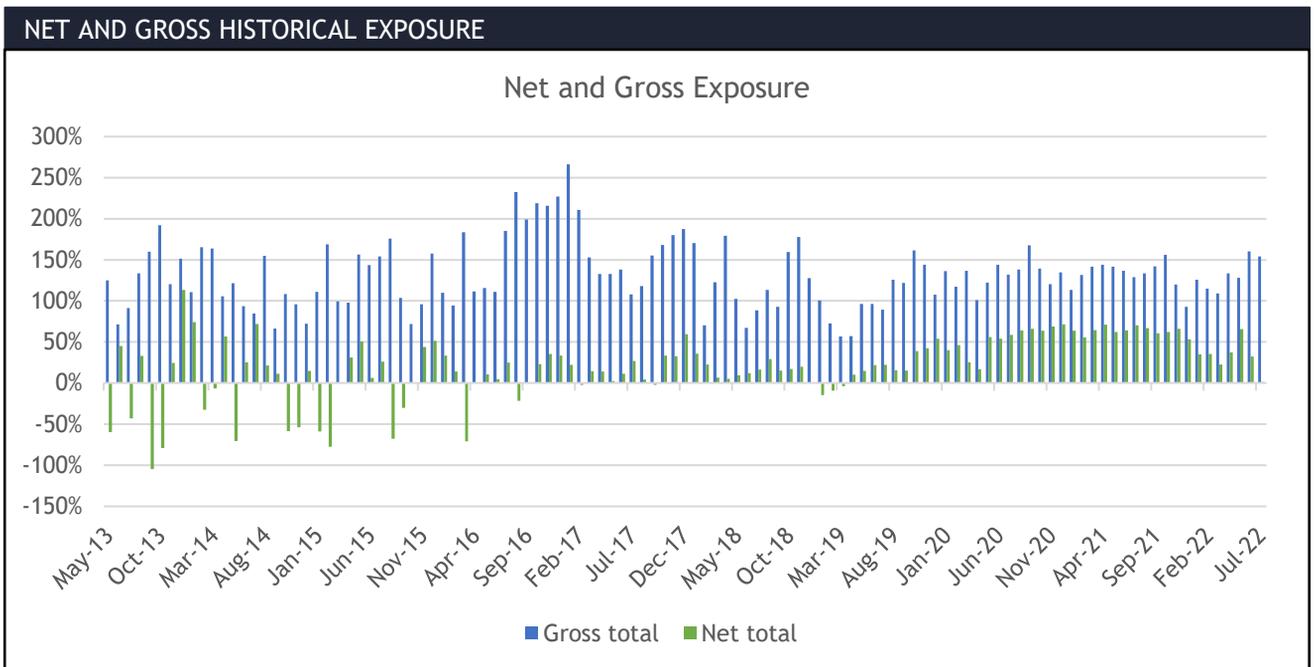
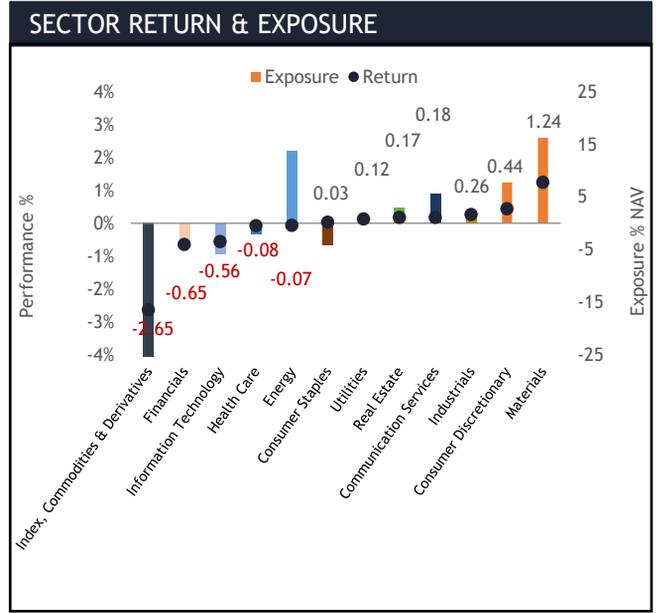
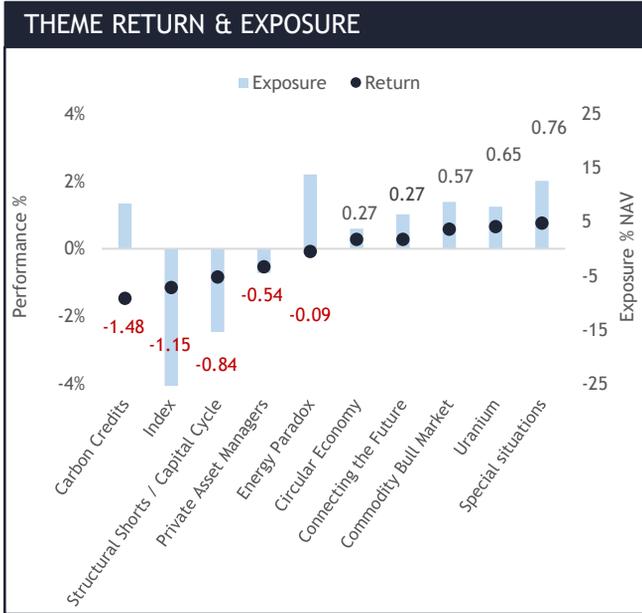
## STRATEGY HISTORICAL PERFORMANCE (%)

|      | 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 |       |       |       |       |       | 1.15   |

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

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

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



### 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<br>ABN 23086081889                             |
| STRATEGY INCEPTION    | 1999          | CIO<br>KENNY ARNOTT    | kma@arnott.com.au  |
| MINIMUM SUBSCRIPTIONS | USD \$100,000 | CONTACT<br>DETAILS     | <a href="mailto:investor@arnott.com.au">investor@arnott.com.au</a> |
| WITHDRAWALS           | Monthly       | PRIME BROKER           | Morgan Stanley International PLC<br>J.P. Morgan Securities PLC     |
| PERFORMANCE FEE       | 20%           | FUND ADMINISTRATOR     | Apex Group Ltd.  |
| MANAGEMENT FEE        | 1.5%          | FUND AUDITOR           | Ernst and Young  |
| SUBSCRIPTIONS         | Monthly       | LEGAL ADVISORS         | Ernst and Young  |

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