

## COMMENTARY

The fund returned positive 4.51% for the month of November 2021. Net exposure averaged 66% long, while gross averaged 120%. This brings our Calendar Year return to positive 41.29% and since inception (2013) return to positive 25.05% p.a. net of fees.

Through the month of November, global equity markets declined as market participants digested the Omicron variant of Covid-19 in combination with a more hawkish Fed, indicating that they will seek to end their bond buying program earlier than anticipated. The former, we believe, will likely pass with a minimal impact on global growth. However, the latter poses the greater risk to equity markets.

The tailwinds of ultra-low interest rates, ample liquidity provided by central banks and fiscal stimulus provided direct to the consumer are now all but behind us. We do not believe the elevated demand, particularly for discretionary goods in an environment of fading monetary and fiscal support sustainable into 2022.

In addition, speculative growth and commodity cyclical risk assets that rely on negative real rates have also lost their tailwind. The degree to which monetary policy must tighten to contain high and broad-based inflation is yet to be seen. But with this backdrop, we struggle to see how equity markets can materially rise from here in the short term. It is even possible that the end of 2021 will mark an intermediate term peak in equity markets.

Given this, 2022 is shaping up to be a very interesting year as the global economy transitions from a period of ultra-loose monetary policy and stimulus supported demand growth to a period of tightening monetary policy accompanied by the withdrawal of fiscal stimulus. We anticipate this will bring heightened volatility and provide for ample opportunities for our strategy to generate absolute returns. If our early thesis of a market top plays out, we will likely have a portfolio that is more balanced with longs and shorts as we move through 2022. Time will tell.

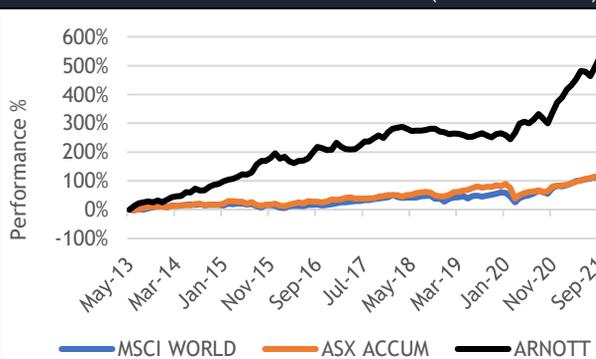
## PERFORMANCE METRICS

|                                | From May 2013 |         |
|--------------------------------|---------------|---------|
|                                | Arnott        | MSCI    |
| Annualised returns             | 25.05%        | 9.17%   |
| % Positive months              | 66.67%        | 65.69%  |
| Average monthly return         | 1.95%         | 0.81%   |
| Avg return in MSCI up months   | 1.79%         | 2.91%   |
| Avg return in MSCI down months | 2.26%         | -3.21%  |
| Best month                     | 13.07%        | 12.66%  |
| Worst month                    | -6.09%        | -13.47% |
| Largest drawdown               | -11.61%       | -21.44% |
| Longest drawdown (mths)        | 24            | 20      |
| Sortino                        | 4.38          | 0.91    |
| Sharpe ratio                   | 1.85          | 0.68    |

## CORRELATION TO ASSETS (2013 to Current)

|                             |       |
|-----------------------------|-------|
| MSCI Index                  | 0.05  |
| US Government Bond Index    | -0.08 |
| US\$ Gold                   | 0.02  |
| Bloomberg Commodities Index | -0.05 |
| Hedge Fund L/S              | 0.02  |

## CUMULATIVE FUND PERFORMANCE (2013-current)



## MONTHLY SUMMARY METRICS

|            |       |              |      |            |     |
|------------|-------|--------------|------|------------|-----|
| NET RETURN | 4.51% | AV GROSS EXP | 120% | AV NET EXP | 66% |
|------------|-------|--------------|------|------------|-----|

## STRATEGY HISTORICAL PERFORMANCE (%)

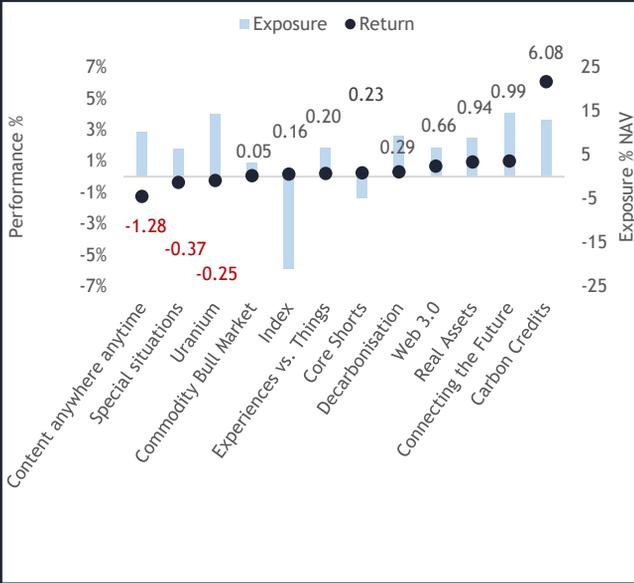
|      | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | Annual |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 2013 |       |       |       |       |       | 13.07 | 7.63  | 2.97  | 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  |       | 41.29  |

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.

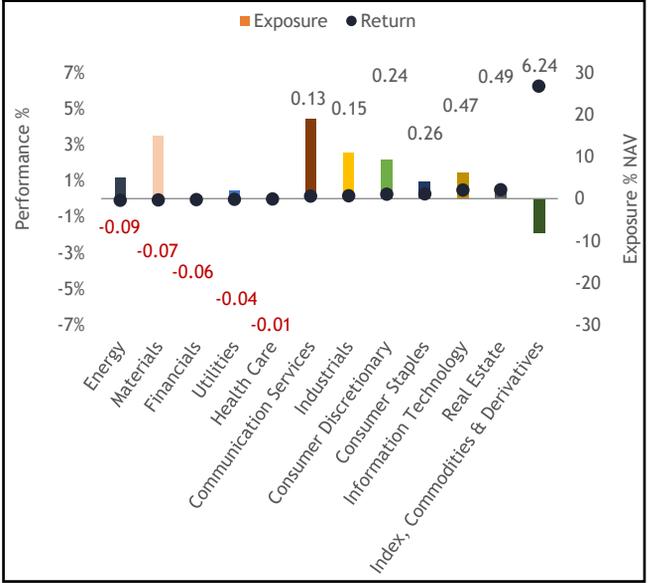
2018 - 2019 Data. Australian Unit trust. Performance net of 0 & 25 fees. Currency AUD. Fund administered by Mainstream. Fund audited by EY.

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

**THEME RETURN & EXPOSURE**

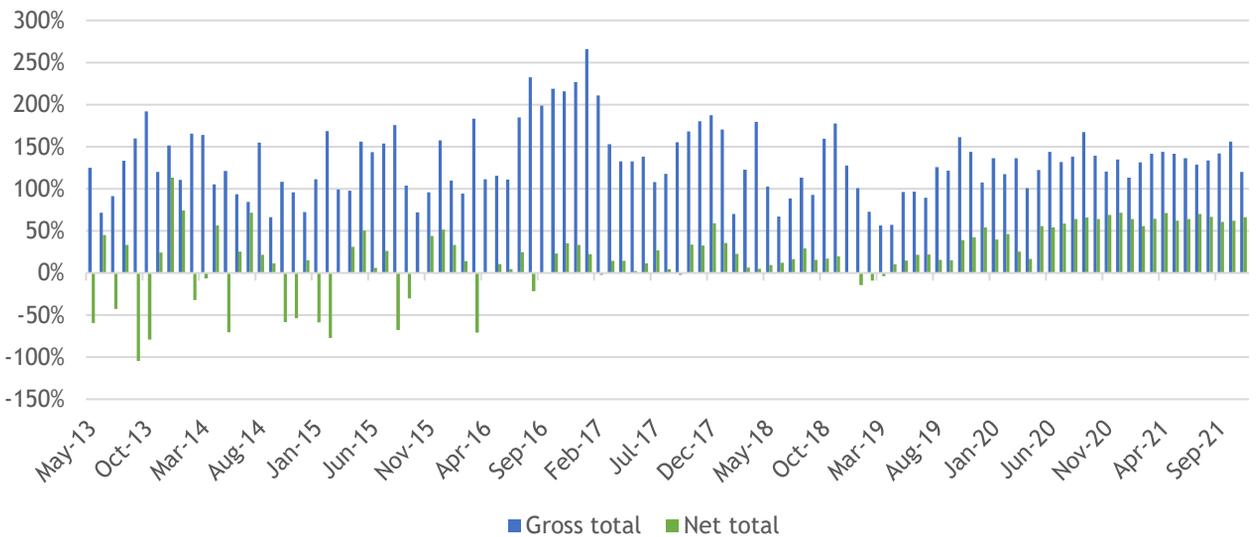


**SECTOR RETURN & EXPOSURE**



**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<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   |
| 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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