ARNOTT OPPORTUNITIES (CAYMAN) FUND FACTSHEET

APRIL 2021

ARNOTT CAPITAL EST. 1999

COMMENTARY

The fund returned positive 4.05% for the month. Net exposure averaged 72% long, while gross averaged 144%.

Through the month, returns were generated from our long exposure to commodity and cyclical equities. A long position in Veolia Environmental Services was the stand out contributor (+77bps) for the month as the company reached a deal to acquire Suez and create the global leader in ecological services. Detractors through the month were index hedges and short positions in high flying technology stocks, which have begun to bare fruit through May.

As governments around the world battle two crises (Covid-19 and climate change) at the same time, extremely loose fiscal policy looks here to stay and will be a defining feature of investing in markets over the intermediate term. With this view we have been increasing our exposure to commodity and cyclical equities that will benefit from an inflationary environment. Based on prevailing market prices for these equities, market participants are pricing the boom in earnings as a once off instead taking the view that low prices of the preceding decade will once again return as deflationary trends return. This in our view presents as a highly attractive risk / reward investment opportunity considering the total value of government spending to come.

(Continued on the next page).

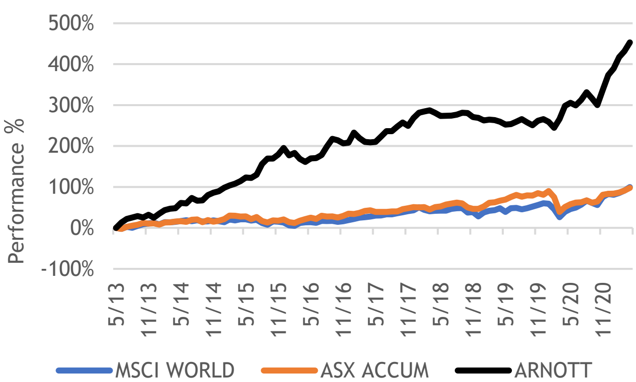
PERFORMANCE METRICS

	From May 2013	
	Arnott	MSCI
Annualised returns	24.11%	9.13%
% Positive months	66.32%	65.26%
Average monthly return	1.89%	0.81%
Avg return in MSCI up months	1.79%	2.95%
Avg return in MSCI down months	2.09%	-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	4.16	0.89
Sharpe ratio	1.76	0.66

CORRELATION TO ASSETS (2013 to Current)

MSCI Index	0.07
US Government Bond Index	-0.05
US$ Gold	0.01
Bloomberg Commodities Index	-0.05
Hedge Fund L/S	0.02

CUMULATIVE FUND PERFORMANCE (2013-current)



MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
4.05%	144%	72%

STRATEGY HISTORICAL PERFORMANCE (%)

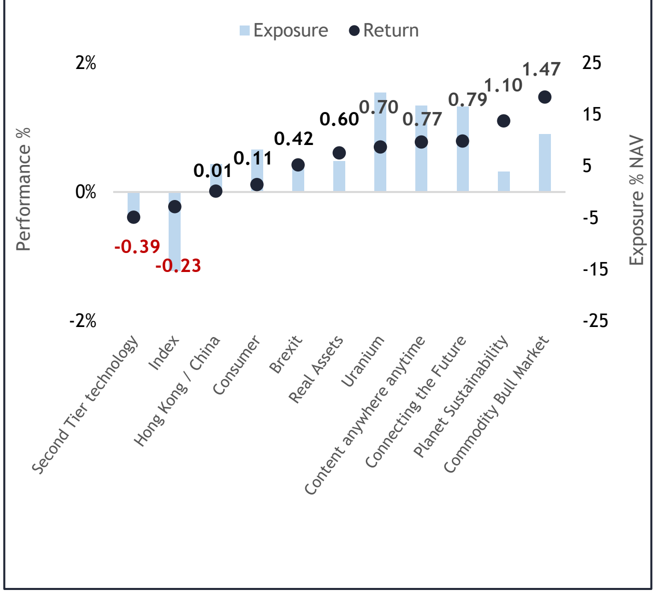
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2013						13.07	7.63	2.97	2.82	-2.69	5.23	-5.25	**25.00**
2014	7.61	6.56	2.43	0.77	8.87	-0.93	8.46	-3.78	0.34	7.78	3.24	1.92	**51.59**
2015	4.46	2.88	1.99	3.19	4.12	-0.52	3.44	11.47	5.23	0.00	3.67	5.72	**55.80**
2016	-6.09	2.14	-5.17	-2.83	3.30	0.40	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									**16.86**

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.

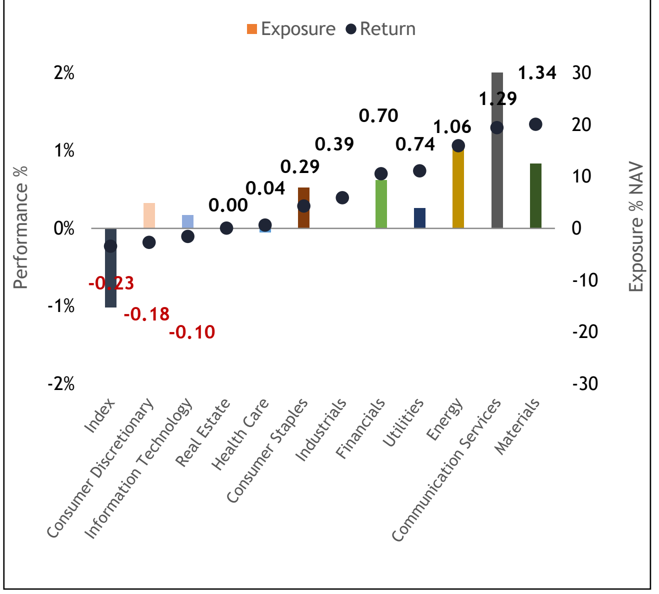
In addition to this we have been increasing the size and quantity of single stock shorts in the portfolio targeting the high valuation, high hopes, high growth end of the market where we believe **prices** paid are once again becoming a concern for investors. Should investors spend more time considering earnings trajectories in conjunction with applying a hurdle rate of investment, then we believe some names in the market have significant downside.

As it stands, we believe the largest risk to our current portfolio positioning centre's around a hiccup to global growth, whether it be Covid-19, geopolitical tensions or a tail risk event. As always we will be watching developments on all of these fronts intently.

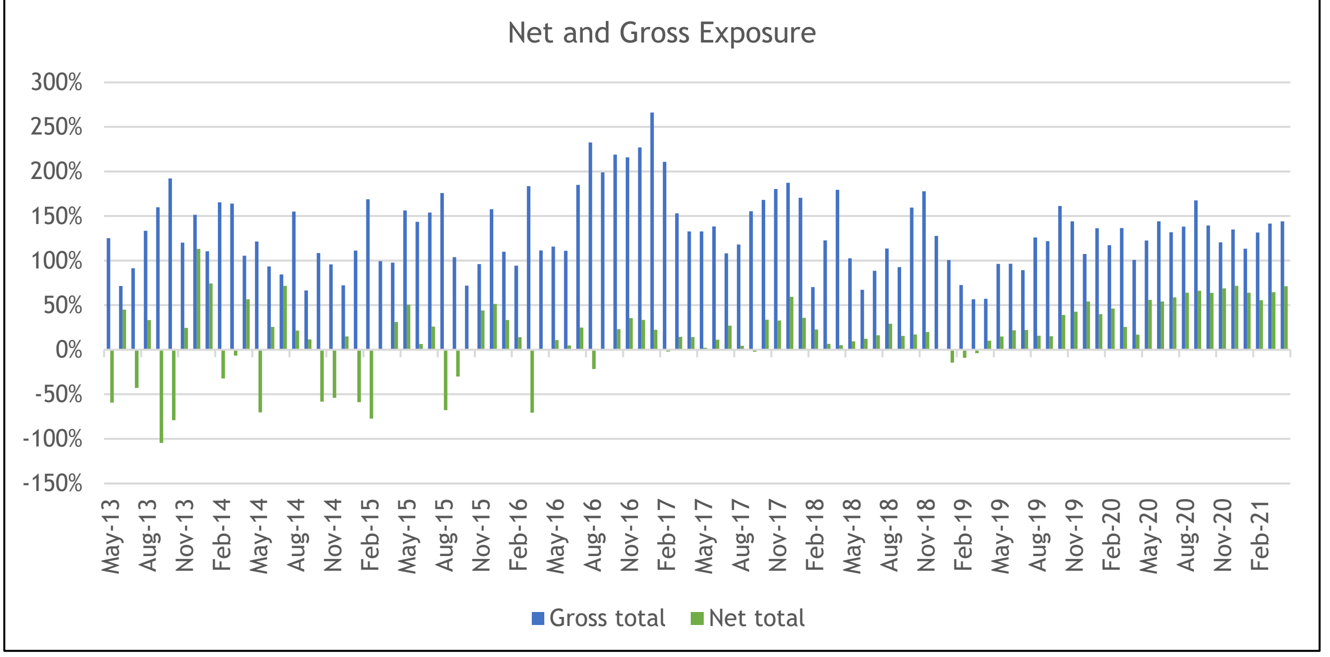
THEME RETURN & EXPOSURE



SECTOR RETURN & EXPOSURE



NET AND GROSS HISTORICAL EXPOSURE



STRATEGY SUMMARY

Our Investment Approach:

1. Find asymmetric themes
2. Invest in the best stocks within those themes
3. Focus on macro drivers for risks and opportunities
4. To generate an asymmetric return profile

The strategy is global long/short equity with a variable delta bias. The portfolio will typically contain 40 to 70 positions. The fund focuses on identifying underinvested global investment themes through extensive macroeconomic research and then utilises a bottom up fundamental process to identify the highest quality securities within an investment theme to deliver Asymmetric returns for investors.

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FUND INFORMATION

BASE CURRENCY	USD	ARNOTT CAPITAL PTY LTD	AFSL License 233743 ABN 23086081889
STRATEGY INCEPTION	1999	CIO KENNY ARNOTT	kma@arnott.com.au
MINIMUM SUBSCRIPTIONS	USD $100,000	CONTACT DETAILS	investor@arnott.com.au
WITHDRAWALS	Monthly	PRIME BROKER	Morgan Stanley
PERFORMANCE FEE	20%	FUND ADMINISTRATOR	Mainstream
MANAGEMENT FEE	1.5%	FUND AUDITOR	Ernst and Young
SUBSCRIPTIONS	Monthly	LEGAL ADVISORS	Ernst and Young

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