

COMMENTARY

The Fund returned -13.33% net of fees for the month of March 2026.¹ Net exposure averaged 24% long, while gross exposure averaged 125%. This brings the calendar year return to -10.66% net of fees and the Strategy since inception return to 16.26% p.a. net of fees.²

The US-Israel-Iran conflict and closure of the Strait of Hormuz has been an exogenous shock to global energy markets and risk assets broadly, creating dislocations across multiple asset classes.

This update provides a candid assessment of the impact on the portfolio, the actions which have been taken, and the emergence of compelling opportunities from the repricing.

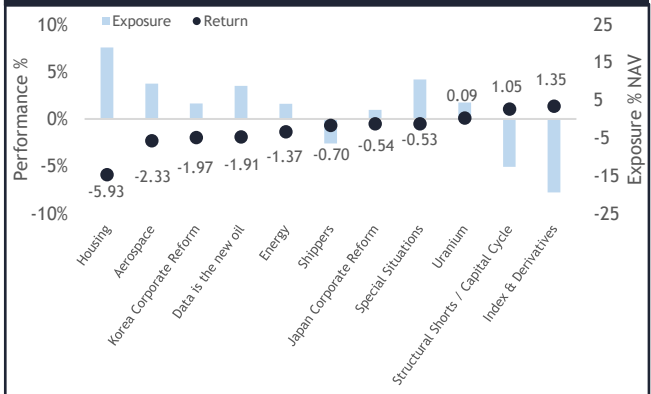
The primary detractors stemmed from the themes in *Housing* (-593 bps), *Aerospace* (-233 bps), *Korea Corporate Reform* (-197 bps) and *Data is the new oil* (-191 bps). The short exposure to *Shippers*, was a detractor to performance, as the equities rallied on perceived disruption benefits, and did not provide the offset that was anticipated in a broad equity market selloff.

When entering 2026, the macroeconomic view was cautiously optimistic, supported by continued momentum in Artificial Intelligence (AI) driving capital expenditure, a global rate cutting cycle as inflation moderated, and the roll out of fiscal support across developed markets. The events in the Middle East have in the short term, altered this backdrop. The extent of this impact will depend on the duration of the disruption.

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STRATEGY METRICS - FROM MAY 2013^{1,2}

Annualised returns	16.26%
% Positive months	61.69%
Average monthly return	1.33%
Average return in MSCI up months	1.30%
Average return in MSCI down months	1.38%
Best month	13.07%
Worst month	-13.33%
Largest drawdown	-13.33%
Longest drawdown (mths)	24
Sortino	2.31
Sharpe ratio	1.27

THEME CONTRIBUTORS TO PERFORMANCE^{1,3}**CORRELATION SINCE MAY 2013^{1,2}**

Global Equity Markets	0.09
US\$ Gold	0.10
Bloomberg Commodities Index	-0.06
Hedge Fund L/S	0.10

MONTHLY SUMMARY METRICS¹

NET RETURN	AV GROSS EXP	AV NET EXP
-13.33%	125%	24%

STRATEGY² PERFORMANCE FROM MAY 2013 (NET RETURN %)¹

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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	-1.66	0.53	-0.30	-1.16	-1.90	0.29	1.70	1.72	-2.10	-2.04	3.20	1.05	-0.82
2020	-1.90	-4.03	6.32	8.76	1.82	-1.47	2.69	4.29	-4.08	-3.45	9.76	7.61	27.97
2021	3.38	5.98	2.81	4.09	5.28	-0.67	-2.93	5.88	6.04	1.29	5.63	-0.45	42.34
2022	2.20	-0.57	-1.61	1.14	2.78	-2.37	-1.74	5.23	-2.20	-3.20	-1.19	1.74	-0.15
2023	-0.42	-2.45	-0.50	-0.87	0.94	1.87	0.75	1.45	3.06	-2.83	-0.35	3.07	3.59
2024	1.06	-2.01	3.88	1.35	0.73	-1.02	-3.49	-2.06	3.32	0.57	-0.67	0.33	1.75
2025	0.92	-0.14	-2.90	-2.05	3.22	4.44	-1.57	2.58	3.72	0.91%	-1.17	2.25	10.35
2026	2.45	0.61	-13.33										-10.66

1. Past performance is not an indicator of future performance. This is historical performance data. Class D is based on month end unit prices in Australian dollars. Net return is calculated after management fees and operating costs. Individual investor level taxes are not taken into account when calculating net returns. Fund inception date: 31 July 2020. 2. To provide a longer-term view of our performance, we have shown returns for the Arnott Opportunities Strategy (shaded). Performance is calculated using monthly returns (after fees) from Jun-13 to Dec-17 for Bondi Capital Investments Pty Ltd (managed account) which is net of 0% management fee & 25% performance fee. From Jan-18 to Jul-20 is the performance of the Fund (Founder Class - closed to new & additional investments). Performance is net of 0% management fee & 25% performance fee. 3. Theme contributors to performance is gross of fees and exclusive of Cash for the Strategy.

COMMENTARY CONTINUED

Current Portfolio Positioning

The current portfolio stands at 35% net long with 150% gross exposure as of 21 April 2026. This is an increase from the low levels experienced in March following the de-risking of the portfolio. While the macroeconomic backdrop has clearly changed, the broad AI thematic is still the key driver of markets. The March dislocation has been used to selectively increase exposure where it's believed the repricing has been indiscriminate rather than fundamentally driven. Gross positioning has also been increased due to opportunistic entries. The Arnott Capital team remains highly focused on macroeconomic risks.

Long themes:Korean Corporate Reform

The *Korean Corporate Reform* exposure has been increased as foreign selling created entry points at valuations that have been difficult to ignore.

Data is the new oil

Artificial Intelligence remains an important driver of capital allocation and equity market leadership and as a result, conviction in this theme remains strong. The sell-off was used to re-initiate a position in Softbank and other AI related supply chain names.

UK homebuilders

UK interest rate markets over the past month have re-priced dramatically. On 27 February, the market was pricing in two rate cuts from the Bank of England (BoE) by year end. By 20 March, 3.5 rate hikes were priced in, a 137 bps move in 20 calendar days. The UK 2-Year Government Bond has experienced its third largest monthly move, ever, only eclipsed by the UK ex-Prime Minister Liz Truss's government bond meltdown in 2022 and the removal of the British pound from the Exchange Rate Mechanism in 1992.

The impact has been severe, with the *UK homebuilders* declining more than 30% over the period, with the combination of interest moves being priced in, heightened build cost inflation, and falling house prices, leading to essentially stagflation.

While conscious of these factors, conviction in this thesis remains, however the team acknowledges that the recovery is pushed out to the right with BoE rates stalled and near-term energy led inflation both headwinds for the builders. With the UK housing market still structurally undersupplied and the builders now trading at 0.65x Price-to-Book versus mid-cycle valuations of 1.5x, the risk/reward is still compelling, however, the timing pathway has become more uncertain. Accordingly, exposure has been reduced to equities that are leveraged to a recovery in volumes but perceived as more defensive in nature and exposure increased to the core volume home builders that have been hardest hit to provide the greatest convexity within this theme.

Aerospace

The carrier exposure has been reduced to reflect ongoing supply disruption risks.

Short themes:Australian banks

Disruption creates business risk. *Australian banks* have aggressively pivoted into business lending as their core mortgage lending business continues to face intense pressure. This has buoyed earnings with strong system growth from the Australian business community, however, in a period of disruption, confidence wanes and credit demand falls. In addition to this, the case for banks running provisions below Pre-Covid levels becomes a harder stance to defend - especially considering the shift away from houses to businesses.

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COMMENTARY CONTINUED

With Australian bank equities trading on record multiples, asymmetric opportunities have been identified in short positions, on select banks. In the team's assessment it is difficult to see how valuation multiples can expand further to the upside and with business confidence now waning there may be significant downside risk to these stocks.

Additionally, short exposure has been initiated to consumer names adversely impacted by slowing credit demand.

Shippers

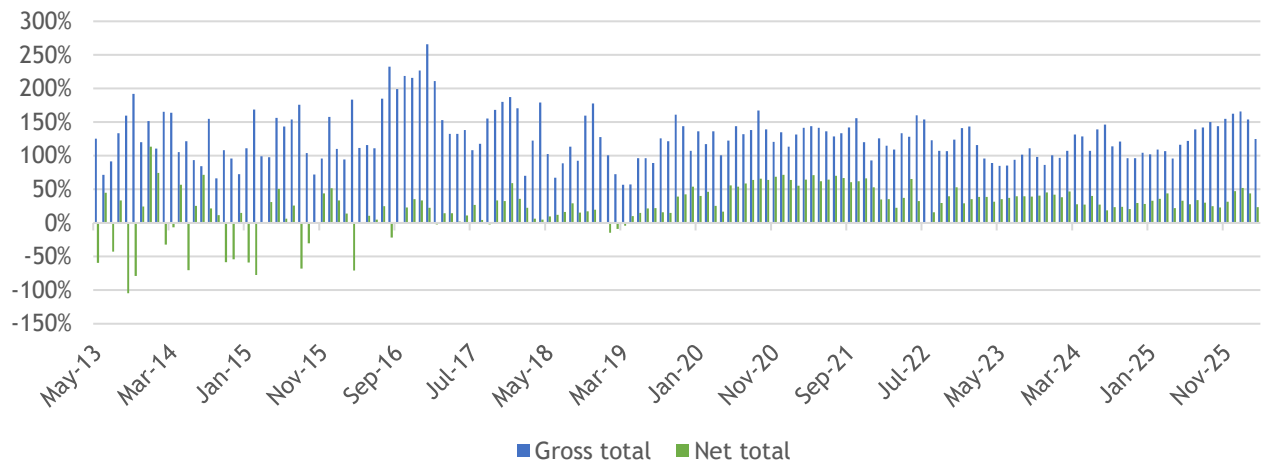
The portfolio was short the *Shippers* theme, which was primarily exposed to container volumes. The expectation was for these to offer a hedge in the event of a market downturn. The names rose with expectations that they would benefit from the Strait of Hormuz closure. The team is reassessing the position as the market recalibrates the direct shipping implications of the disruption.

Hedges

Basket and Equity Index hedges are currently running in the UK and European equities to partially offset the net long directional risk.

STRATEGY NET AND GROSS HISTORICAL EXPOSURE²

Net and Gross Exposure



Source: Arnott Capital. For illustrative purposes only.

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.

IMPORTANT INFORMATION

Arnott Capital Pty Ltd	AFS License 233743 ABN 23086081889	CONTACT DETAILS	clientservices@channelcapital.com.au
STRATEGY INCEPTION ⁴	1999		
FUND NET ASSET VALUE ⁵	A\$143.6m	REDEMPTION PRICE	\$1.0447
FEE STRUCTURE	Management Fee	Performance Fee	Availability
Class A (Founder Class)	0%	25%	Closed to new investors
Class D	1.5375% ⁶	20% ⁷	Applications/Redemptions - Daily

4. The same investment approach has been utilised since 1999, from 1999 to 2005, leverage used during this period was much higher than later periods.

5. Net Asset Value is calculated as Fund assets less Fund liabilities.

6. Including the net effect of GST less any RITC payable monthly in arrears on the Net Asset Value and excludes expense recoveries of 0.1241%.

7. Performance fee of 20% (plus GST) based on outperformance above the High Water Mark, accruing daily and payable monthly in arrears. Refer to the PDS for further information on the performance fee.

Fund Disclosures

- Key service provider changes - nil
- Key individual changes - nil
- Risk profile or investment strategy material changes - nil

Definitions

Sharpe ratio: The Fund's annualised average monthly excess return (net of fees) divided by Fund volatility.

Sortino ratio: A risk-adjustment measurement which determines the additional return for each unit of downside risk.

Volatility: Annualised standard deviation of monthly returns (net of fees) since inception.

Disclaimer

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