

**COMMENTARY**

**EXPOSURES AND ATTRIBUTION**

There was an increase of gross exposure on both the long and the short side during the month with average gross exposure moving out to 180%. This was a marked increase from the previous month. On a net basis the exposure remained broadly flat at an average of 5% long during the month. However, during the month net exposure varied from long to short 20%.

April performance was a tale of two halves. Performance was strong early in the month and weak in the latter part, particularly in the last week. The Australian market was very strong into the end of the month particularly in momentum names. This impacted performance of the fund. Losses were across several themes but ultimately in shorts that were broadly associated with bond proxies. IE High PE, Property names and utilities.

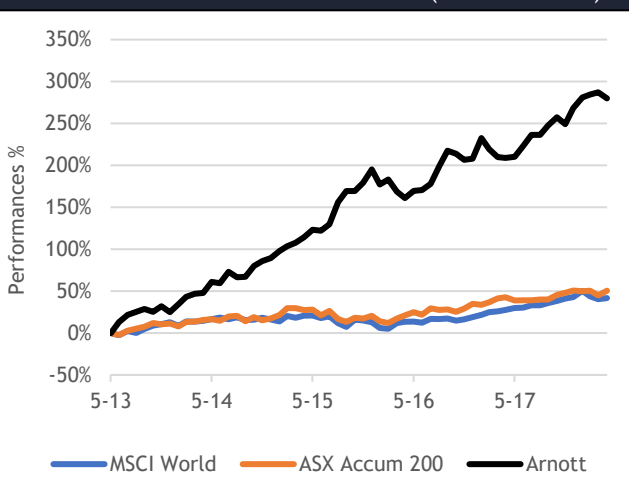
**PORTFOLIO OPPORTUNITIES AND RISKS**

The portfolio is long inflation linked exposure through oil and long value / high cashflow businesses. On the short side exposures are in high PE, property and bond proxy names. At current levels, we don't see any major opportunities either long or short on the macro front and hence there is little net exposure in index positions. The fund continues to hold some out of the money S&P500 puts.

**PERFORMANCE METRICS**

	From May 2013
Annualised returns	31.19%
% Positive months	71.19%
Average monthly return	2.37%
Avg +ve monthly return	4.34%
Avg -ve monthly return	-2.49%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	7
Up Capture ratio	49.0%
Down Capture ratio	-247.4%
Sortino	4.33
Sharpe ratio	1.98

**CUMULATIVE FUND PERFORMANCE (2013-current)**



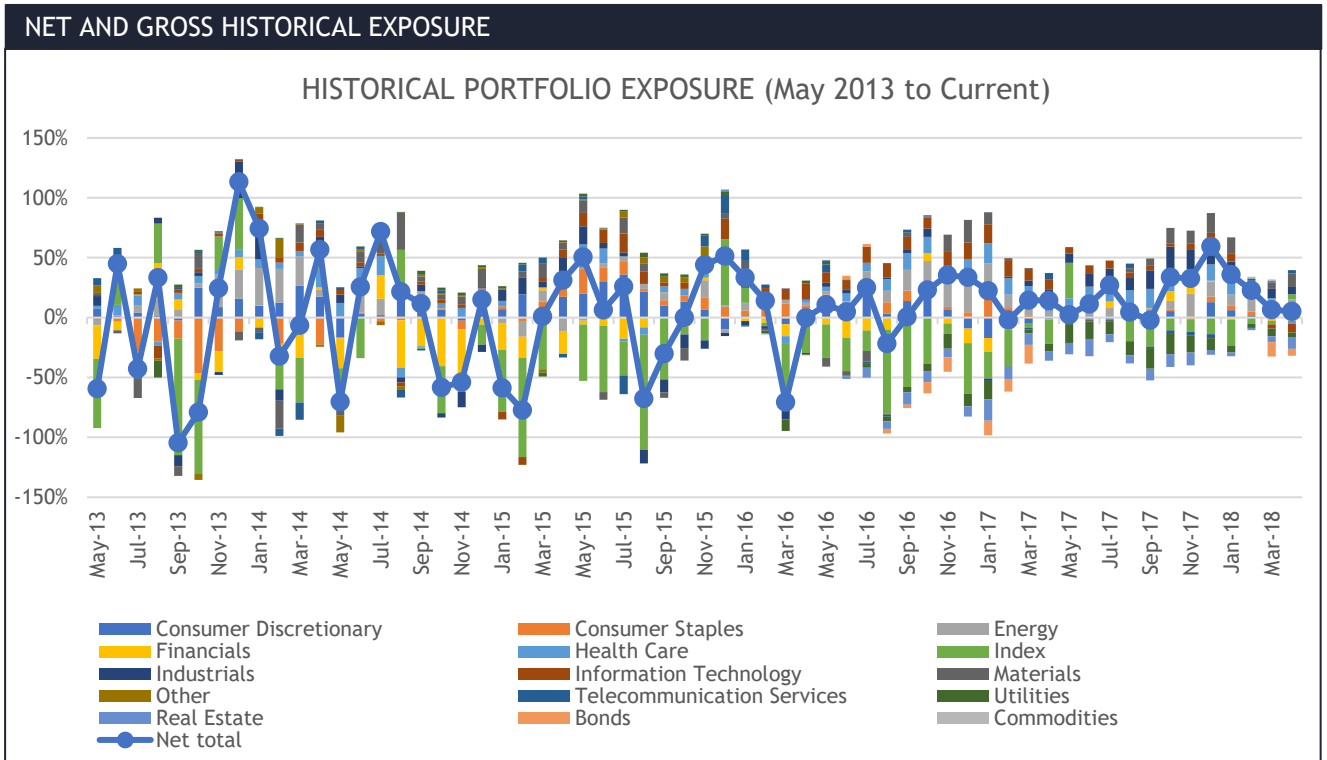
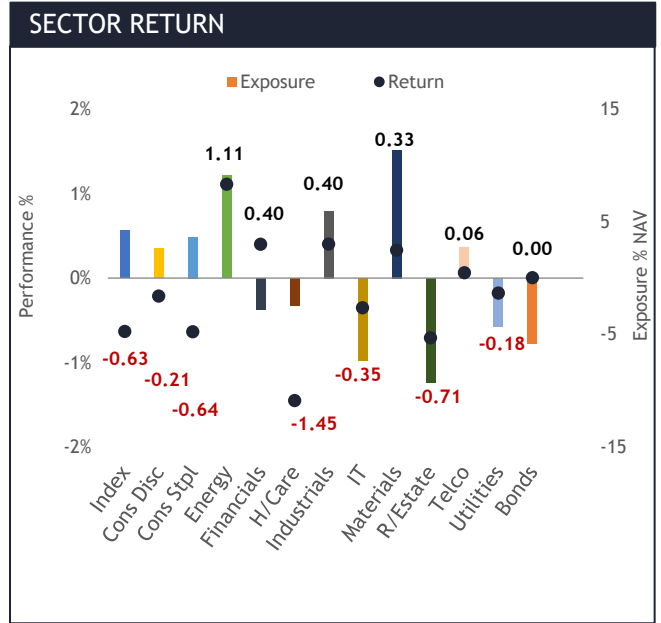
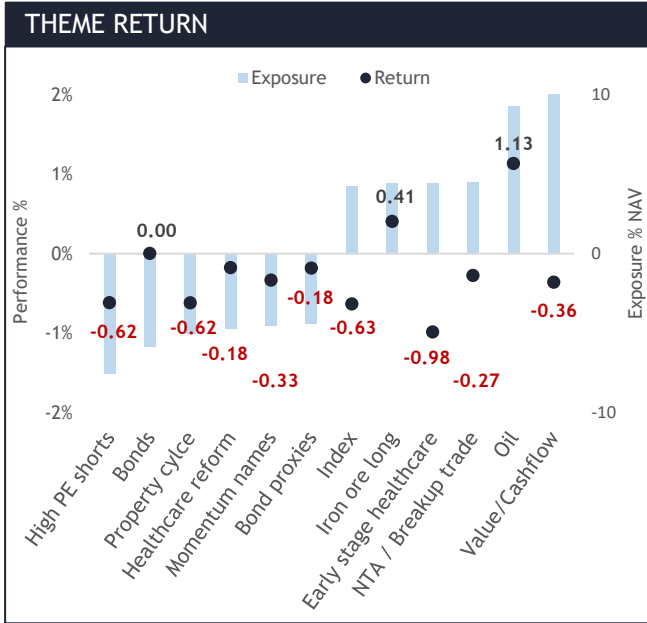
**MONTHLY SUMMARY METRICS**

NET RETURN	AV GROSS EXP	AV NET EXP
-1.68%	179.37%	5.09%

**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									3.36

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



### STRATEGY SUMMARY

The investment process involves three stages:

1. Themes are identified as investment opportunities
2. Valuation screens are run to find stock opportunities within the theme
3. Market dynamics are assessed to determine entry timing

The strategy is long / short equity with a variable delta bias. The universe is global equities with a focus on Australia. The portfolio will typically contain 40 to 70 position. Global futures and options are also actively traded from time to time.

The strategy aims to identify trends and opportunities using value investing principles and capture price oscillations around the underlying trend using trading skills.

FUND INFORMATION

BASE CURRENCY	AUD	ARNOTT CAPITAL PTY LTD	AFSL License 233743 ABN 23086081889
STRATEGY INCEPTION	1999	CIO KENNY ARNOTT	kma@arnott.com.au
MINIMUM SUBSCRIPTIONS	AUD \$100,000	CONTACT DETAILS	<a href="mailto:investor@arnott.com.au">investor@arnott.com.au</a>
WITHDRAWALS	Monthly	PRIME BROKER	Morgan Stanley
PERFORMANCE FEE	25%	FUND ADMINISTRATOR	Mainstream
MANAGEMENT FEE	0%	FUND AUDITOR	Ernst and Young
SUBSCRIPTIONS	Monthly	LEGAL ADVISORS	Henry David York

The information prepared in this document has been prepared and issued by Arnott Capital Pty Ltd ABN 23 086 081 889 (Arnott) which holds an Australian Financial Services Licence No. 233743, in relation to Arnott Tactical Trading Strategy (Strategy). Under its Australian Financial Services Licence, Arnott can only provide certain financial services to Wholesale Clients (as defined under the Corporations Act 2001 (Cth)). This document is for general information purposes only and should not be construed as an offer or solicitation. It should not be relied upon as the basis for making an investment decision, nor should a decision be made until the risks of the investment are fully understood. This document contains forward-looking statements about future events which may or may not be realised. Actual results could differ materially from those in the forward looking statements. These materials should only be considered current as of the date of publication without regard to the date on which you may receive or access the information. The information contained herein is not audited (unless otherwise indicated) and is based upon estimates and assumptions. No information is warranted by Arnott or its affiliates or subsidiaries as to completeness or accuracy, expressed or implied, and is subject to change without notice. All investments contains risk, including the risk of total loss. **Past performance is not indicative of future results.**