

## COMMENTARY

### EXPOSURES AND ATTRIBUTION

Net exposure averaged 16% long during the month, while gross averaged 126%. The macro book remains short exposures in S&P500 and ASX200 indices.

Broadly, all the profits were from the short book and all the losses from the long book. The larger positive returns came from High Valuation / Accrual short and the shorts in derivatives in the macro book.

### PORTFOLIO OPPORTUNITIES AND RISKS

We have increased our Uranium exposure as we see several catalysts coming into year end. These are

1. US utilities year end purchases
2. US Uranium working group report
3. Climate change extensions to plants (ongoing)
4. Forward contracts and SWU pricing

I recently attended the World Nuclear Association conference in London and took the opportunity to meet several utilities and fuel buyers as well as producers we have positions in.

We have increased Growth Theme exposures in Catapult, Nearmap and Kogan. Gold exposure has also increased with Aurelia Metals back in the portfolio following a price retracement. In oil we have some specific exposures in catalyst driven names.

Shorts remain dominated by High Valuation / Accrual names although we have added some banks on the rally.

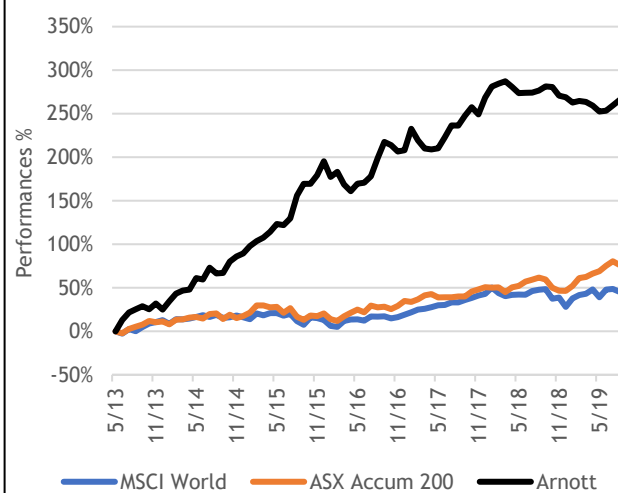
### MACRO WATCH

With markets at highs heading into October with volatility back at reasonable prices we will be accumulating downside puts.

## PERFORMANCE METRICS

	From May 2013
Annualised returns	23.05%
% Positive months	66.67%
Average monthly return	1.82%
Avg +ve monthly return	3.77%
Avg -ve monthly return	-2.09%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	17
Up Capture ratio	29.9%
Down Capture ratio	-214.0%
Sortino	3.65
Sharpe ratio	1.63

## CUMULATIVE FUND PERFORMANCE (2013-current)



## MONTHLY SUMMARY METRICS

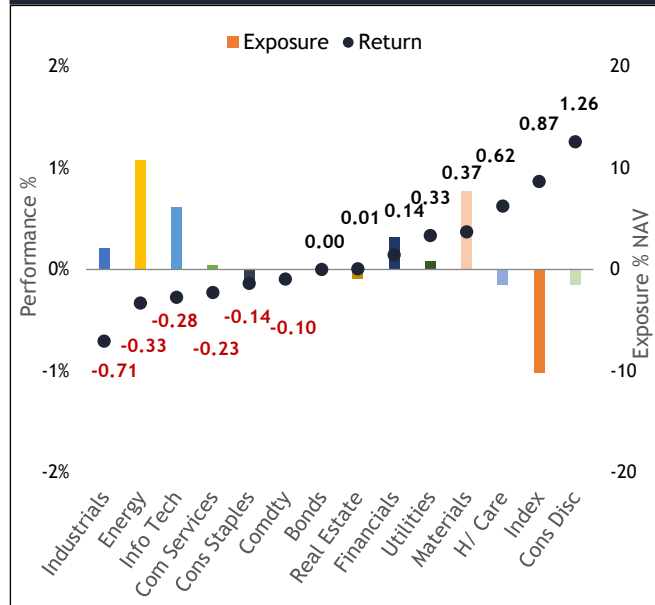
NET RETURN	AV GROSS EXP	AV NET EXP
1.72%	125.88%	15.65%

## STRATEGY HISTORICAL PERFORMANCE (%)

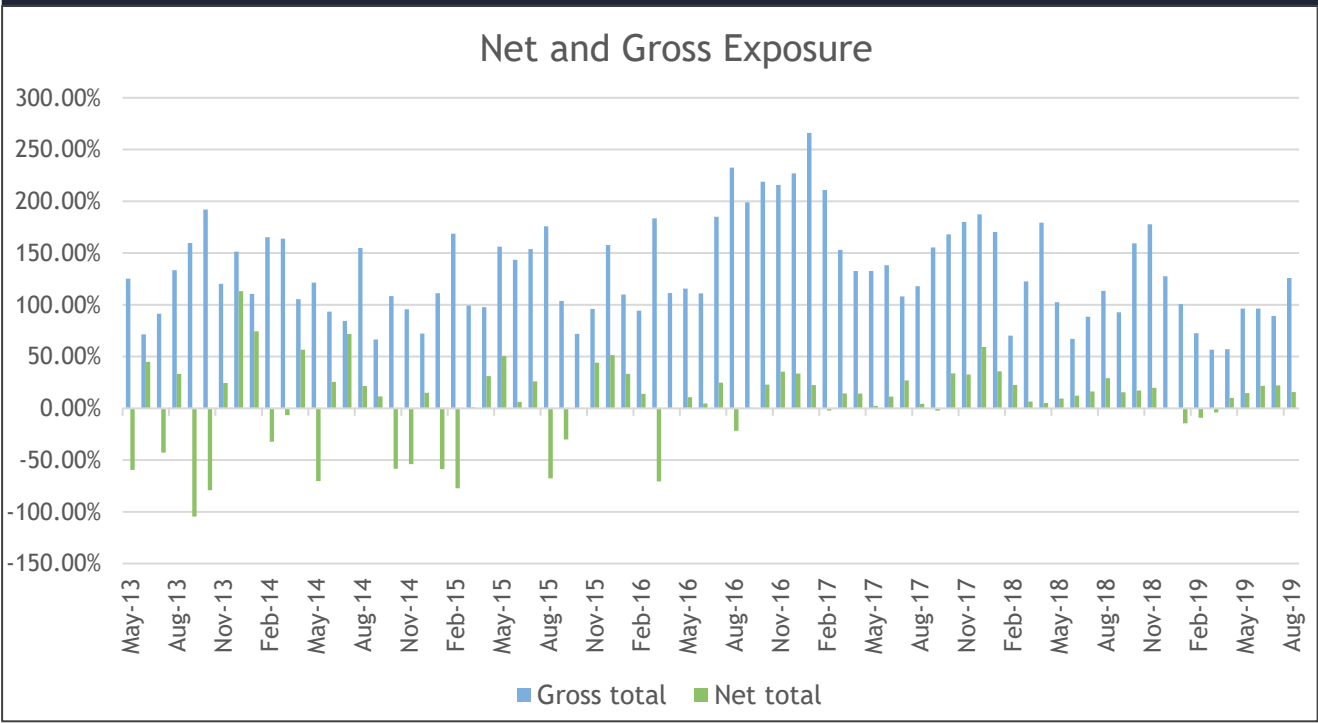
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2013						13.07	7.63	2.97	2.82	-2.69	5.23	-5.25	25.00
2014	7.61	6.56	2.43	0.77	8.87	-0.93	8.46	-3.78	0.34	7.78	3.24	1.92	51.59
2015	4.46	2.88	1.99	3.19	4.12	-0.52	3.44	11.47	5.23	0.00	3.67	5.72	55.80
2016	-6.09	2.14	-5.17	-2.83	3.30	0.40	2.69	7.49	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	-1.66	0.53	-0.30	-1.16	-1.90	0.29	1.70	1.72					-0.84

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.

**THEME RETURN & EXPOSURE** **SECTOR RETURN & EXPOSURE**



**NET AND GROSS HISTORICAL EXPOSURE**



**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	Norton Rose Fulbright

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.**