

**COMMENTARY**

The fund returned positive 7.22% for the month. Net exposure averaged 72% long, while gross averaged 135%.

Our Uranium theme was the largest contributor to fund performance over December. As global economies seek to decarbonise their energy supply chains, Nuclear energy remains the only green sustainable baseload form of power generation. Given this, there is set to be an explosion in new nuclear reactors coming online in the next decade, driving an increased demand for Uranium. With spot Uranium prices trading well below the marginal cost of production, investment in the industry has collapsed and the market is now in a supply deficit. As investors have increased their focus on the winners and losers of global economies seeking to decarbonise their supply chains we believe there is very good risk / reward payoff in the Uranium space.

In addition to our Uranium theme, Infratil Limited ('IFT') was a substantial contributor to return over the month as they received a non-binding indicative approach from Australian Super at a substantial premium to their current share price. At the start of 2020 we believed demand for data centres globally would accelerate, resulting in significant asset value appreciation. It is within this context we invested in IFT, due to their 48% ownership stake in Canberra Data Centres ('CDC'). We believed the market was completely mispricing IFT given their ownership of CDC. At market prices when we invested, we were paying fair value for their stake in CDC and receiving their 50% stake in Vodafone NZ, Wellington Airport and various renewable energy assets for free. IFT is a classic example of how we seek value within a theme. We also had extremely strong single stock contributions from long position in Independence Group (+37%), BAIDU (+55%), Warner Music Group (+28%). These positions were held across multiple themes and were classic Arnott Capital Asymmetric investment opportunities. Investments made with a significant margin of safety with imbedded value underappreciated by the market.

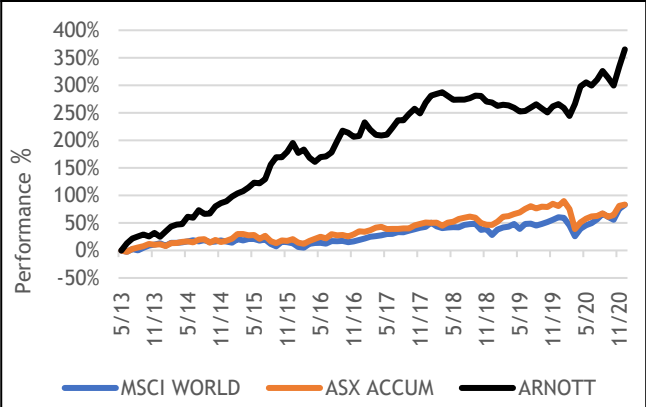
**PERFORMANCE METRICS**

	From May 2013	
	Arnott	MSCI
Annualised returns	22.48%	8.28%
% Positive months	64.84%	64.84%
Average monthly return	1.78%	0.75%
Avg return in MSCI up months	1.61%	2.92%
Avg return in MSCI down months	2.08%	-3.27%
Best month	13.07%	12.66%
Worst month	-6.09%	-13.47%
Largest drawdown	-11.61%	-21.44%
Longest drawdown (mths)	24	20
Sortino	4.05	0.77
Sharpe ratio	1.72	0.59

**CORRELATION TO ASSETS (2013 to Current)**

MSCI Index	0.06
US Government Bond Index	-0.03
US\$ Gold	0.03
Bloomberg Commodities Index	-0.08
Hedge Fund L/S	0.12

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



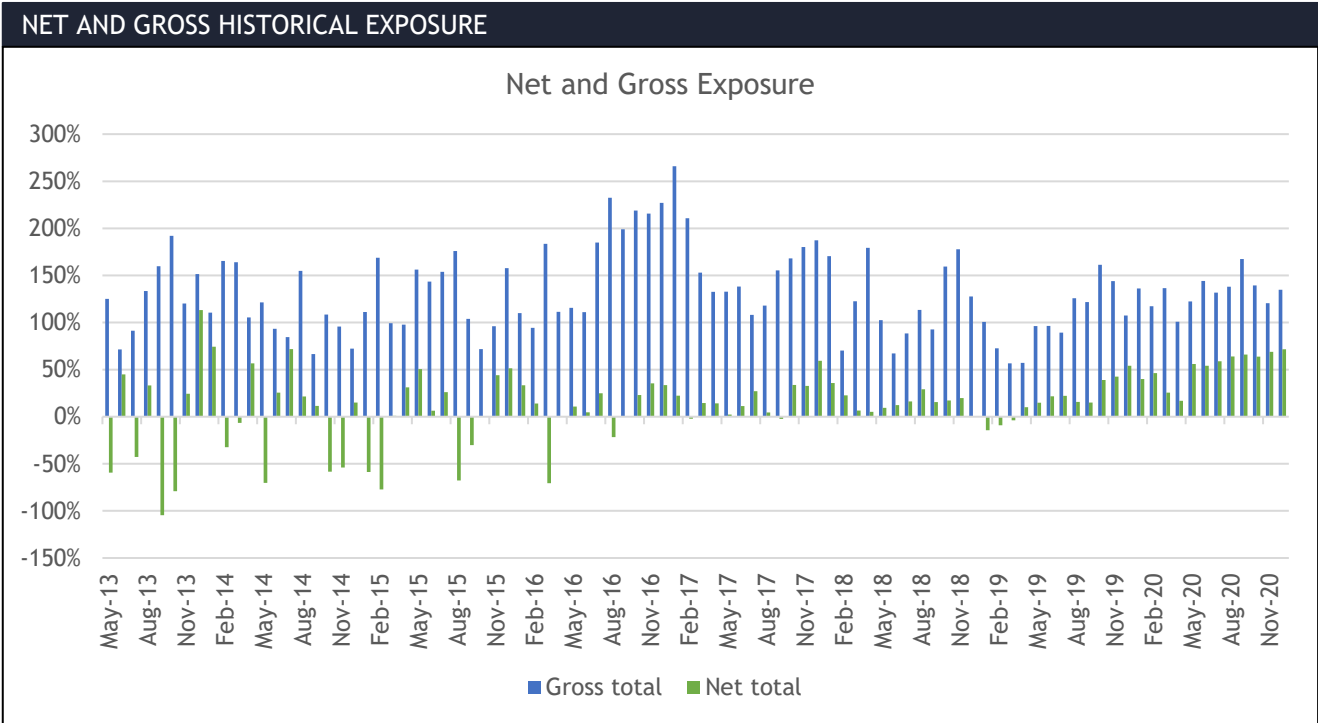
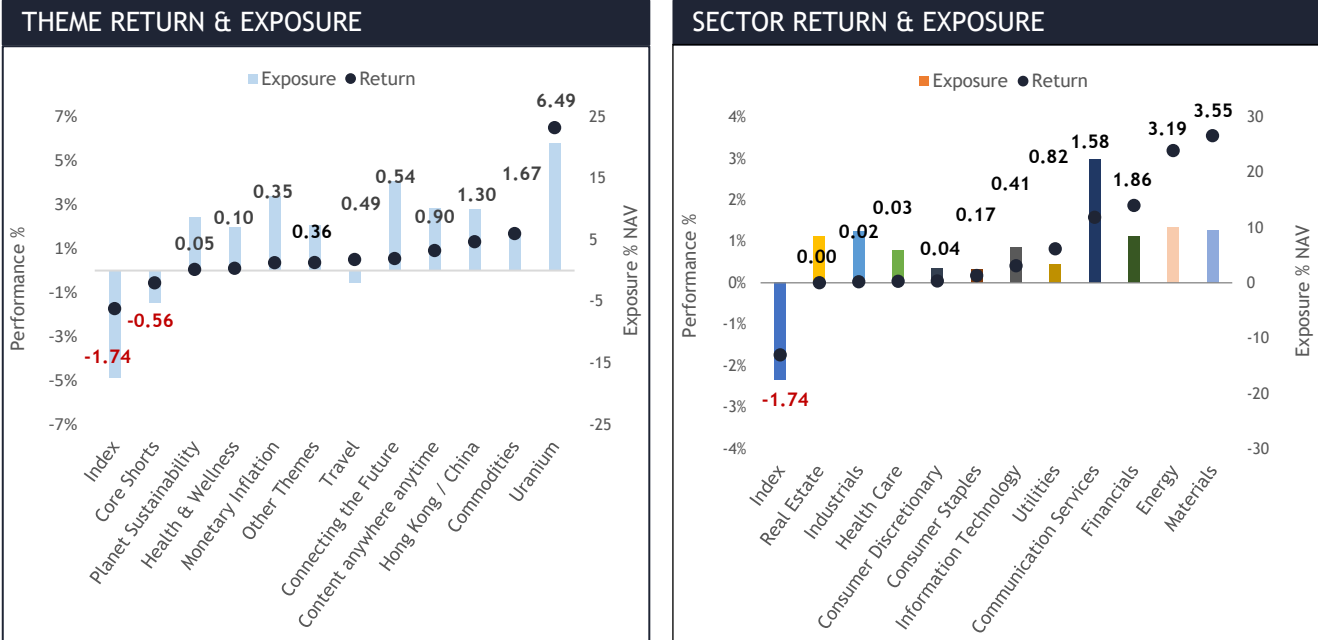
**MONTHLY SUMMARY METRICS**

<b>NET RETURN</b>	<b>AV GROSS EXP</b>	<b>AV NET EXP</b>
7.22%	135%	72%

**STRATEGY HISTORICAL PERFORMANCE (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
<b>2013</b>						13.07	7.63	2.97	2.82	-2.69	5.23	-5.25	25.00
<b>2014</b>	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
<b>2015</b>	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
<b>2016</b>	-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
<b>2017</b>	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
<b>2018</b>	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
<b>2019</b>	-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
<b>2020</b>	-1.90	-4.03	6.32	8.76	1.82	-1.47	2.69	3.82	-2.94	-3.32	8.59	7.22	27.23

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**

**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.

**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	20%	FUND ADMINISTRATOR	Mainstream
MANAGEMENT FEE	1.5%	FUND AUDITOR	Ernst and Young
SUBSCRIPTIONS	Monthly	LEGAL ADVISORS	Ernst and Young

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