

COMMENTARY

EXPOSURES and ATTRIBUTION

Overall net exposure was maintained around flat to 10% net short. However, beta adjusted the exposure was still slightly net long. The largest gains were in the macro book. These gains were mainly through short positions (long S&P500 puts). The largest losses were from small cap positions.

PORTFOLIO OPPORTUNITIES

During the month, the portfolio composition changed significantly. The small cap exposure was reduced to 18% net long from 50% net long in January. The large cap exposure increased and will likely continue to increase as the fund moves to a more active trading style. Macro trading through global equity index has been very active.

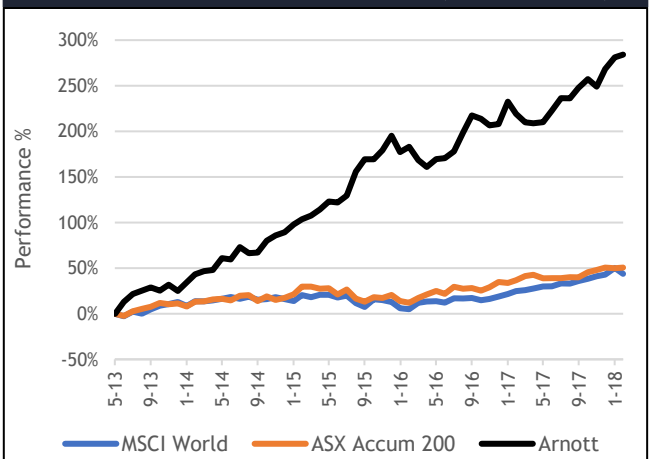
PORTFOLIO RISKS

The fund is reducing exposure to illiquid names while liquidity is still present. The downside to this manoeuvre is that, in the event the market has a melt up, the fund will struggle to perform in line with overall market performance.

PERFORMANCE METRICS

	From May 2013
Annualised returns	32.75%
% Positive months	71.93%
Average monthly return	2.47%
Avg +ve monthly return	4.43%
Avg -ve monthly return	-2.52%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	7
Up Capture ratio	54.2%
Down Capture ratio	-256.9%
Sortino	4.39
Sharpe ratio	2.06

CUMULATIVE FUND PERFORMANCE (2013-current)



MONTHLY SUMMARY METRICS

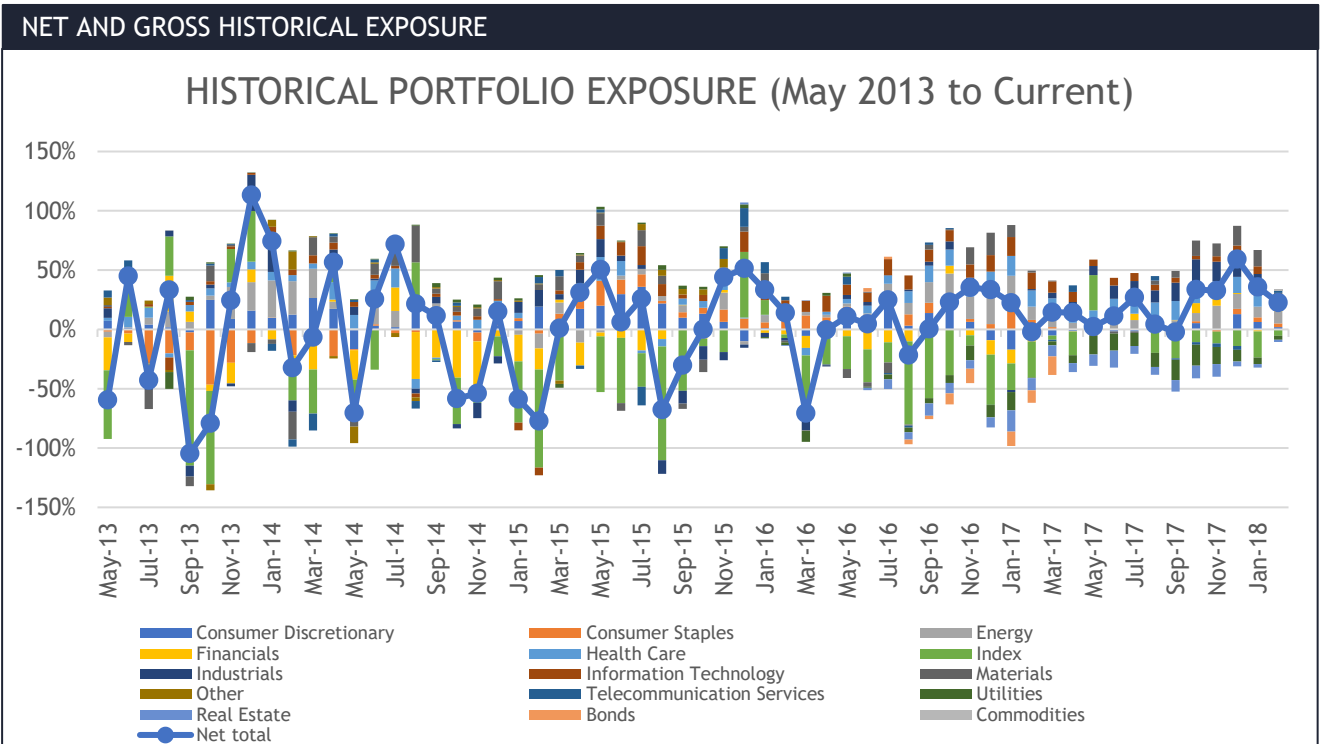
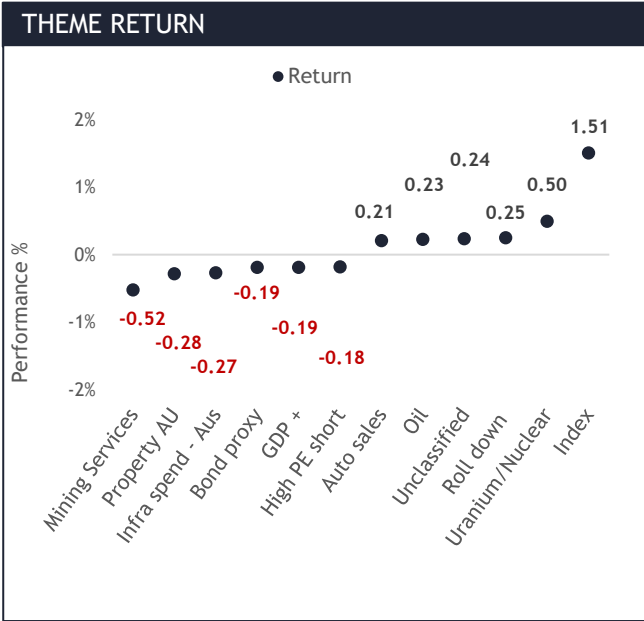
NET RETURN	AV GROSS EXP	AV NET EXP
0.88%	70.16%	22.62%

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											4.38

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	investor@arnott.com.au
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

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