

**COMMENTARY**

The fund returned negative 4.03% for the month. Net exposure averaged 46.24% long, while gross averaged 117.31%.

The key reason for the negative return was that we very aggressively cut our small cap exposure. In December we had around 38% of the fund in small caps ex uranium. That number was around 10% at the end of February. This accounted for losses of 5-6%. The last time we cut aggressively like this was August 2007 when we were down 5.82%. Our book is now very well positioned for a trading market. If China is a blueprint on to how to deal with the COVID-19 virus, the economic consequences may be significant for the rest of the world. In February, China PMI was 35.7, the lowest on record. If other countries follow the lock down that China employed, then economic conditions globally are going to be very volatile.

Because of this significant change in economic conditions that will likely influence markets for many months ahead, we have made the aggressive decision to adjust the portfolio so we are now prepared for a more uncertain market regime. The portfolio is currently positioned long 18% Uranium, which is trading. We are long defensive under owned names like Telstra and NextDC and short cyclical exposure in BHP, RIO, Fortescue, Amcor. Against a portfolio that is now roughly flat, we have a large amount of upside calls in the event we get a stock market rally.

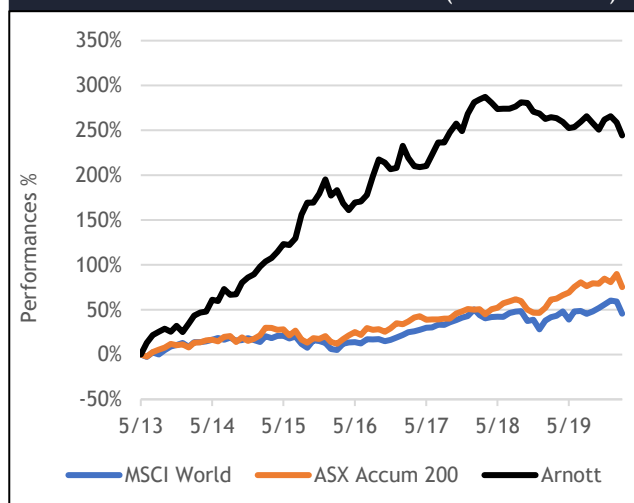
Things we are watching;

1. Most likely stimulus response in the near term by central banks = tradable rally
2. Poor macro data in March and April = sell the bounce
3. Political response to the COVID-19 could be positive or negative = volatility

**PERFORMANCE METRICS**

	From May 2013
Annualised returns	20.10%
% Positive months	64.20%
Average monthly return	1.61%
Avg +ve monthly return	3.70%
Avg -ve monthly return	-2.15%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	23
Up Capture ratio	25.6%
Down Capture ratio	-176.0%
Sortino	3.41
Sharpe ratio	1.45

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



**MONTHLY SUMMARY METRICS**

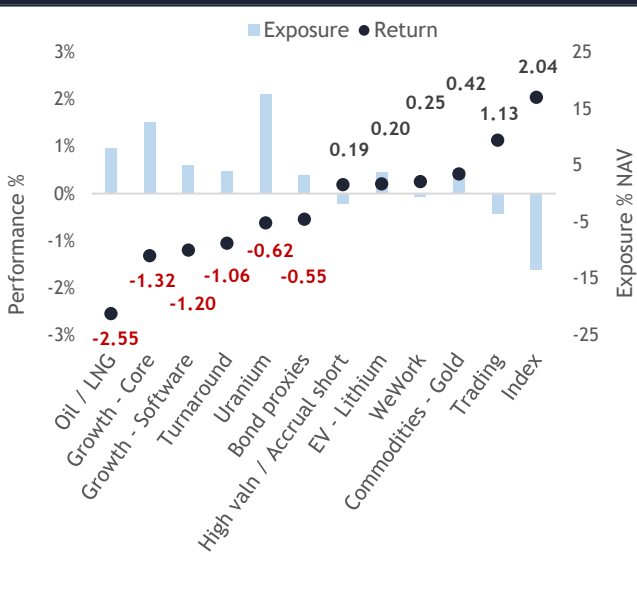
NET RETURN	AV GROSS EXP	AV NET EXP
-4.03%	117.31%	46.24%

**STRATEGY HISTORICAL PERFORMANCE (%)**

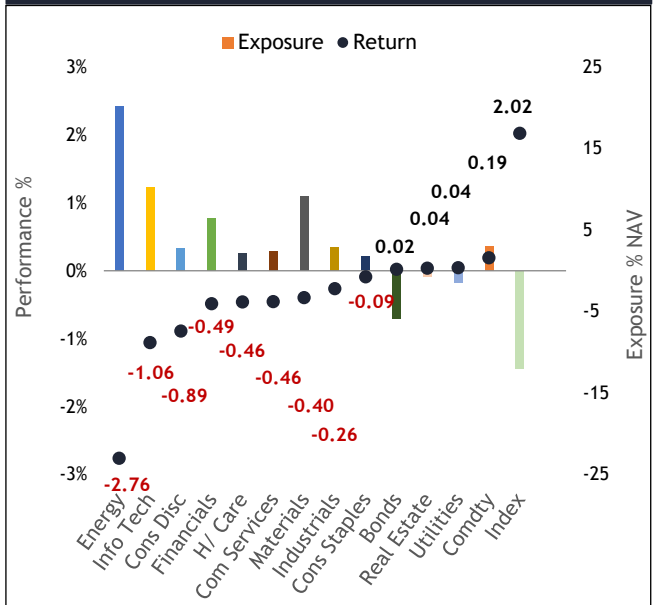
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2013						13.07	7.63	2.97	2.82	-2.69	5.23	-5.25	25.00
2014	7.61	6.56	2.43	0.77	8.87	-0.93	8.46	-3.78	0.34	7.78	3.24	1.92	51.59
2015	4.46	2.88	1.99	3.19	4.12	-0.52	3.44	11.47	5.23	0.00	3.67	5.72	55.80
2016	-6.09	2.14	-5.17	-2.83	3.30	0.40	2.69	7.49	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	-2.10	-2.04	3.20	1.05	-0.82
2020	-1.90	-4.03											-5.85

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**

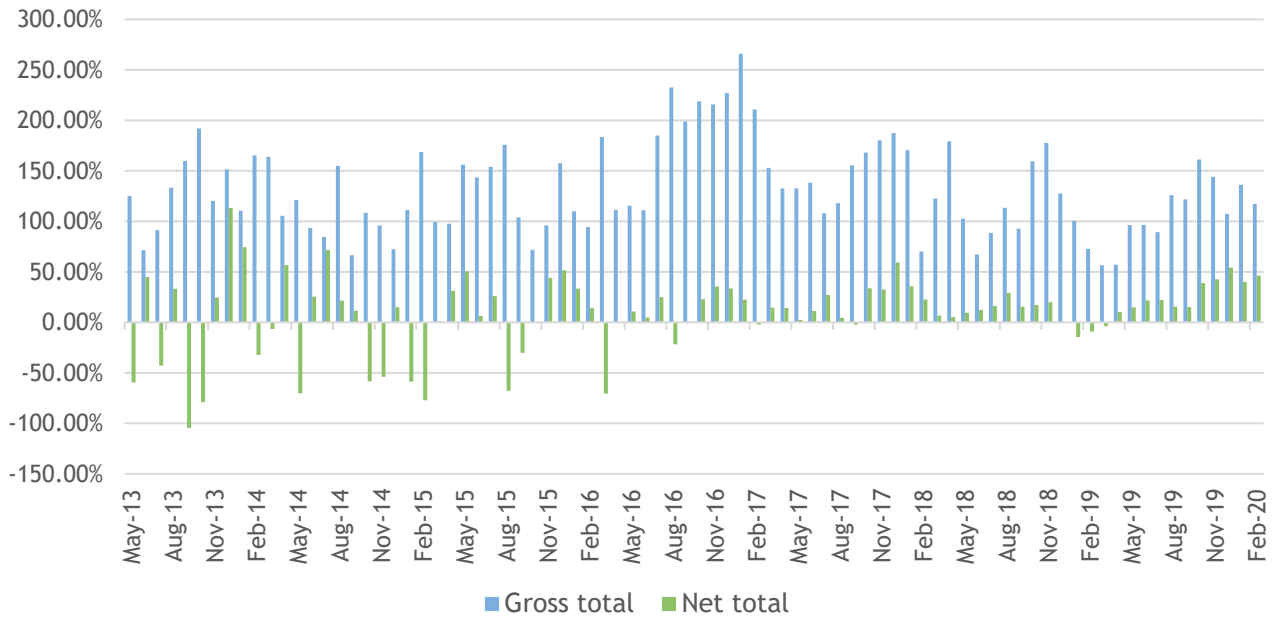


**SECTOR RETURN & EXPOSURE**



**NET AND GROSS HISTORICAL EXPOSURE**

**Net and Gross 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.**