

**COMMENTARY**

**EXPOSURES and ATTRIBUTION**

Overall net exposure was reduced at the end of the month to finish about short 12%, from what had been largely long for most of the month. The largest gains were in the energy and consumer sectors. The largest losses were from Healthcare and Index (S&P500 Puts).

**PORTFOLIO OPPORTUNITIES**

The large opportunities in the portfolio are in Energy, Early Stage Healthcare and Mining Services. The shorts are in Consumer, Financials, Property and Utilities as well as the S&P500 Puts.

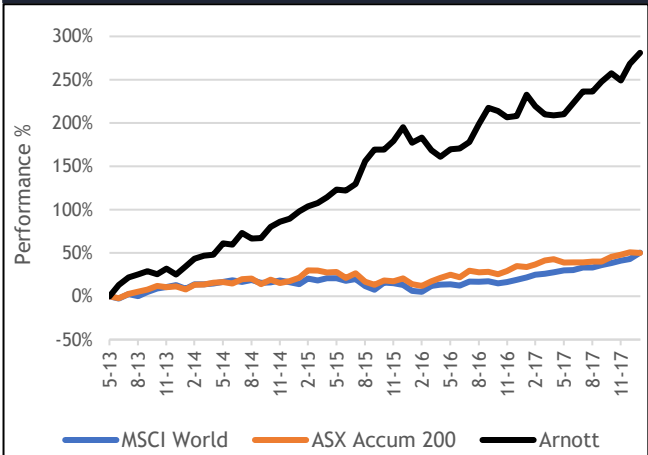
**PORTFOLIO RISKS**

The fund is broadly long smaller companies and short large cap defensives and high PE names in combination with short US index exposure via S&P500 puts. The largest risk remains a sharp move down associated with a sell off in risk assets. This would likely see the small cap component have a negative performance while the defensive names would outperform. This would be somewhat offset by the short index position.

**PERFORMANCE METRICS**

	From May 2013
Annualised returns	33.20%
% Positive months	71.43%
Average monthly return	2.50%
Avg +ve monthly return	4.51%
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	53.6%
Down Capture ratio	-256.9%
Sortino	4.44
Sharpe ratio	2.07

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



**MONTHLY SUMMARY METRICS**

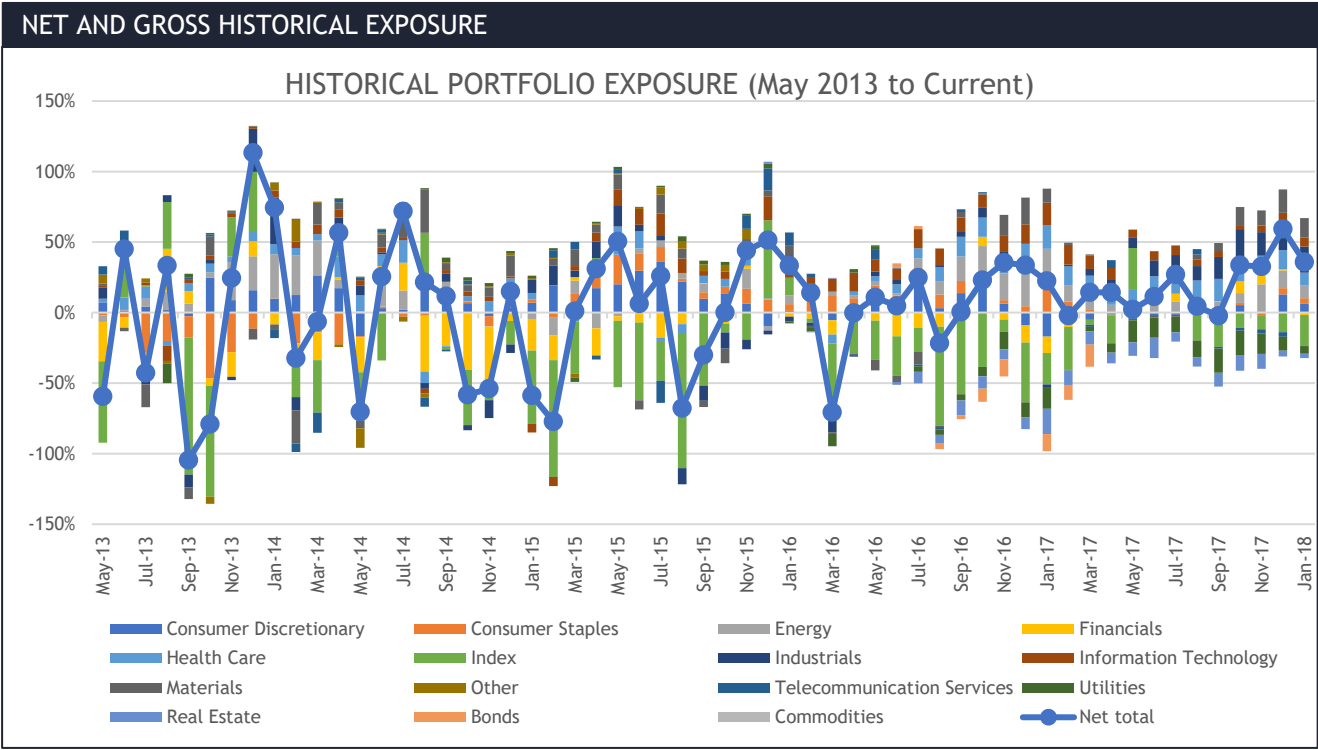
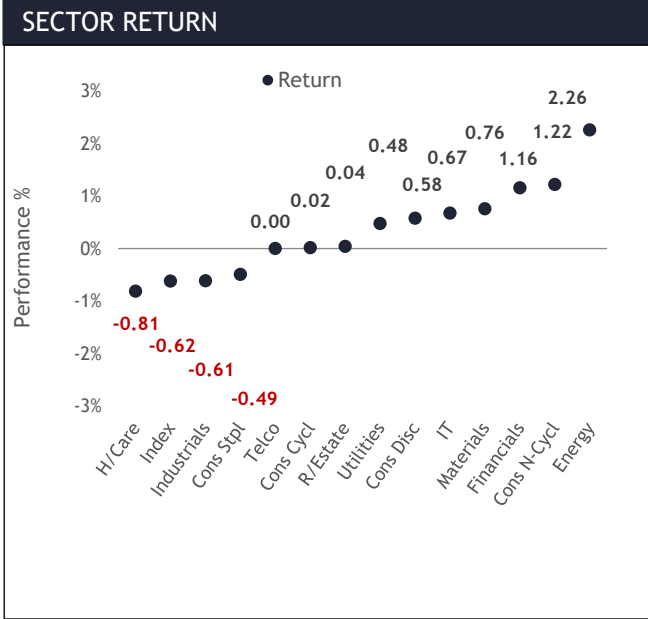
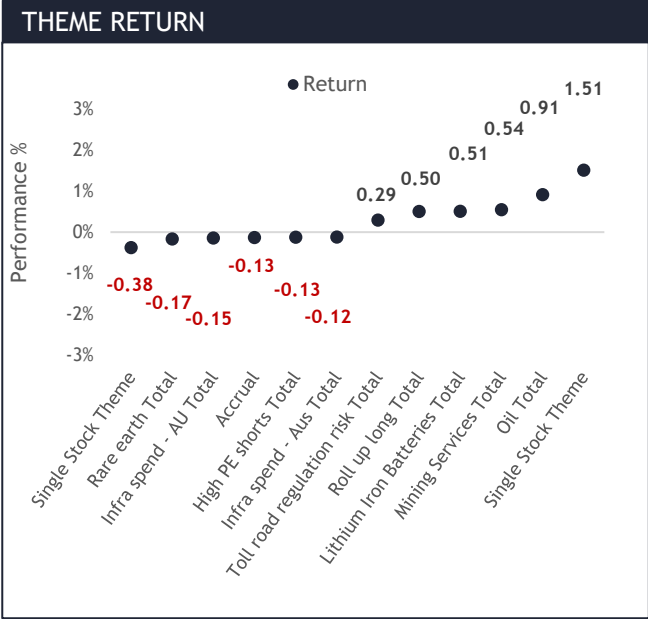
NET RETURN	AV GROSS EXP	AV NET EXP
3.47%	170.43%	35.78%

**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												3.47

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

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