

COMMENTARY

The fund returned negative 1.90% for the month. Net exposure averaged 40% long, while gross averaged 136%.

Our base case for 2020 was that cyclicals would lead the market as global growth recovered. The Coronavirus has swiftly called this into question. How long this affects the market for is not clear. We have adjusted the risk in our portfolio to account for this. This accounted for most of the losses in January.

We have also taken the opportunity to reduce the number of equity positions from around 80 to 50 and to focus more on larger more liquid trading opportunities. The trading and special situation theme within our portfolio is now where we are spending the most research and trading efforts.

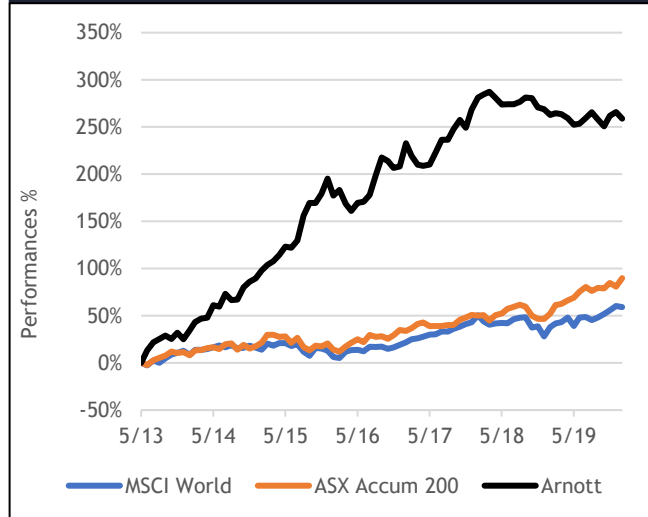
A new theme in the portfolio is Gold. We are long in Physical Gold ETF's and options. We also hold trading positions in Gold stocks. The exposure is around 10%. This ties into managing outlier market risk environments. First that growth collapses. The second, now less likely scenario is that inflation accelerates. It could be argued that under either of these outlier scenario's gold would out-perform.

We have initiated a long position in Telstra of 5% and will trade this position with a size of 2% to 12%. Telstra is a classic asymmetric investment opportunity - a growth stock with valuation underpinned by top tier infrastructure assets. 5G is a transformative technology, that will increase the speed with which we consume data and the way we capture data from the world around us. 5G will be a tailwind to Telstra's earnings in the coming years with multiple upside benefits. Firstly, mobile earnings (45% of group EBITDA) will grow through the deployment of 5G as market leaders, such as Telstra, charge premium prices on a high quality differentiated service. Secondly, the ability for 5G to better enable companies to capture data are extensive. Telstra now has the ability to leverage their technology to be more than a service provider but also a solutions provider, capturing more of the value chain and leveraging their technology.

PERFORMANCE METRICS

	From May 2013
Annualised returns	21.12%
% Positive months	65.00%
Average monthly return	1.68%
Avg +ve monthly return	3.70%
Avg -ve monthly return	-2.08%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	22
Up Capture ratio	25.6%
Down Capture ratio	-204.7%
Sortino	3.59
Sharpe ratio	1.53

CUMULATIVE FUND PERFORMANCE (2013-current)



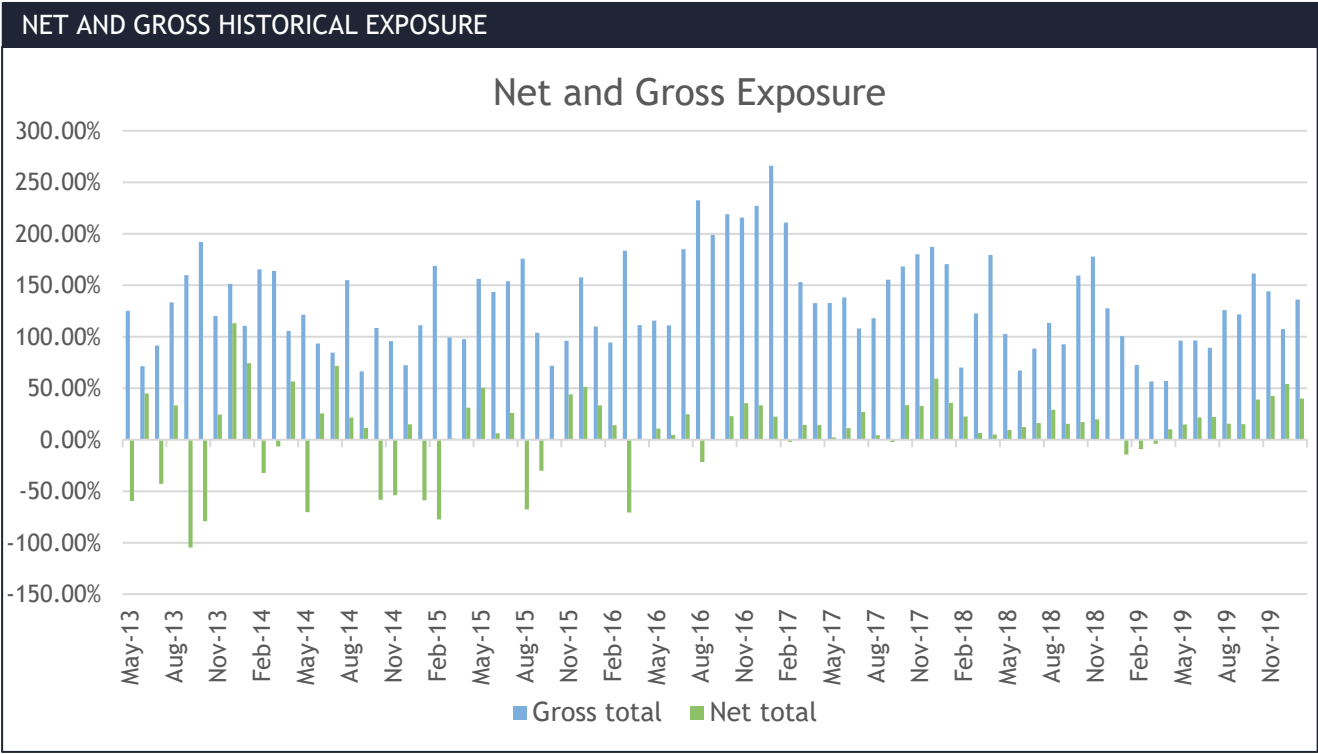
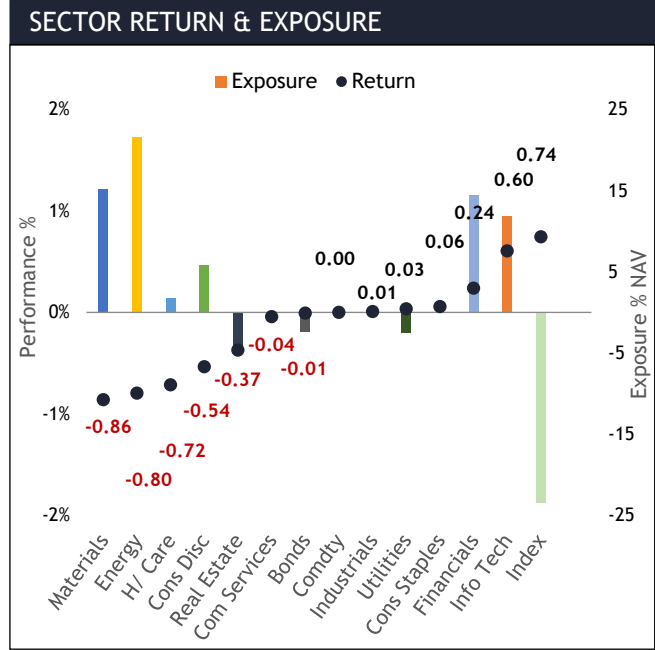
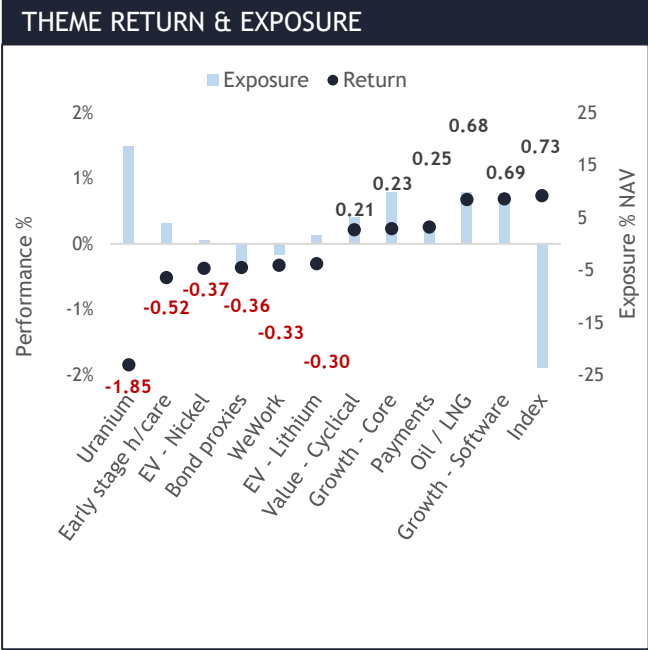
MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
-1.90%	136.23%	39.92%

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												-1.90

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	Norton Rose Fulbright

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