

COMMENTARY

EXPOSURES AND ATTRIBUTION

While July performance was flat, a large shift occurred in the portfolio during the latter half of the month. As at end of July, gross exposures increased to 140% from lower levels earlier in the month. Net exposure increased slightly towards the later end of July as well. Note the net and gross exposure series on page two is a monthly average, so the increase is not reflected in the numbers here.

There was positive performance from long themes including Turn around opportunities, Oil & LNG, Media consolidation and GDP+ / Roll up situations. This was offset by losses in the short themes. See charts on the second page for more detail on this.

PORTFOLIO OPPORTUNITIES AND RISKS

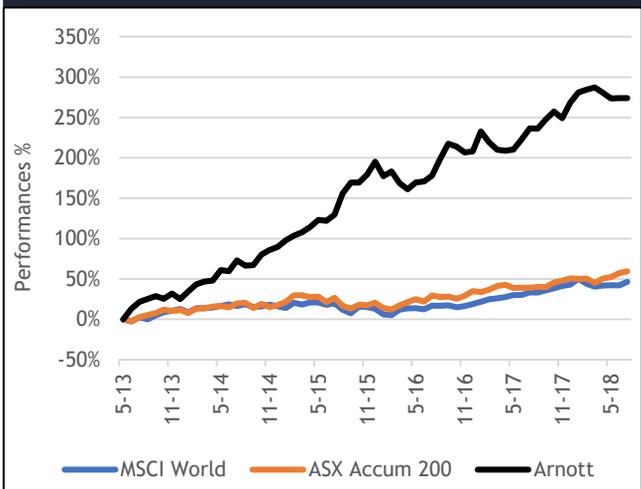
Following a period of low risk during May, June and early July, portfolio risk has significantly increased as more opportunities present themselves. We now head into Australian reporting season, which can always be a double-edged sword. We have some prepositioning where the risks look skewed in our favour and will monitor results closely for post reporting opportunities.

Long themes are spread across several exposures however they can be summarised as two types of opportunities. First, value investments and second, higher risk growth opportunities in mining and software sectors. Shorts are concentrated in two themes. The majority of the short exposure is in companies which are at risk of credit issues in Australia due to households being highly leveraged and housing prices retracing. These include banks, property names and retail. The second key short exposure is in high valuation names where we expect FY2018 results and outlook statements for FY2019 and beyond will confirm issues with earnings estimates.

PERFORMANCE METRICS

	From May 2013
Annualised returns	29.08%
% Positive months	69.35%
Average monthly return	2.23%
Avg +ve monthly return	4.24%
Avg -ve monthly return	-2.31%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	7
Up Capture ratio	43.3%
Down Capture ratio	-247.4%
Sortino	4.11
Sharpe ratio	1.89

CUMULATIVE FUND PERFORMANCE (2013-current)



MONTHLY SUMMARY METRICS

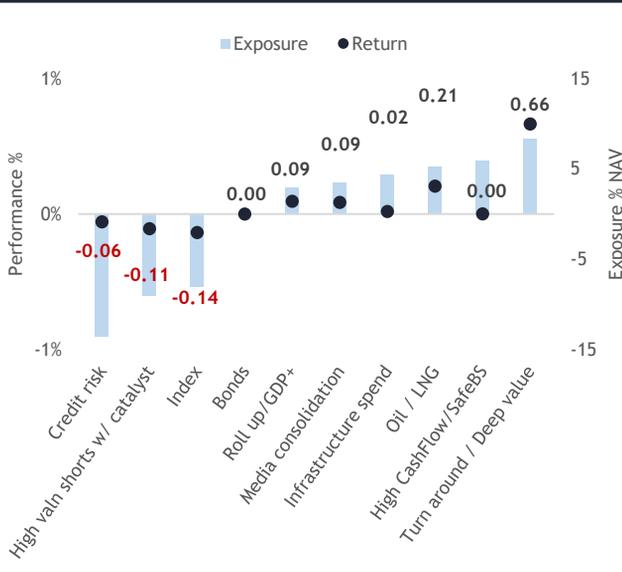
NET RETURN	AV GROSS EXP	AV NET EXP
0.03%	88.5%	16.24%

STRATEGY HISTORICAL PERFORMANCE (%)

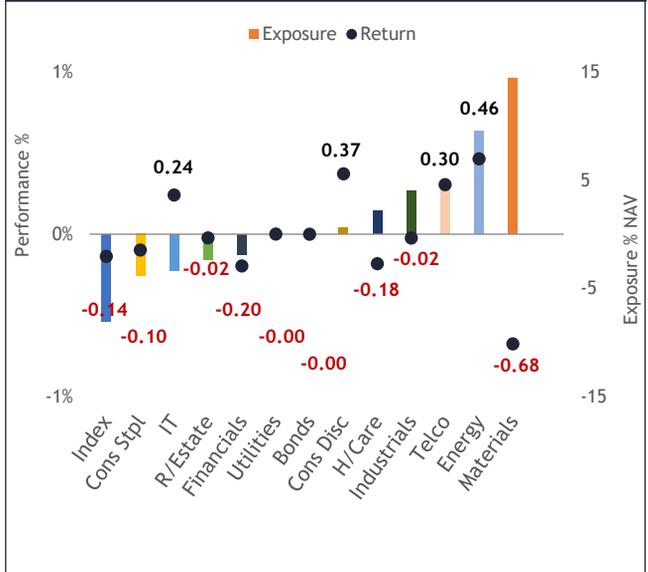
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2013						13.07	7.63	2.97	2.82	-2.69	5.23	-5.25	25.00
2014	7.61	6.56	2.43	0.77	8.87	-0.93	8.46	-3.78	0.34	7.78	3.24	1.92	51.59
2015	4.46	2.88	1.99	3.19	4.12	-0.52	3.44	11.47	5.23	0.00	3.67	5.72	55.80
2016	-6.09	2.14	-5.17	-2.83	3.30	0.40	2.69	7.49	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						1.56

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

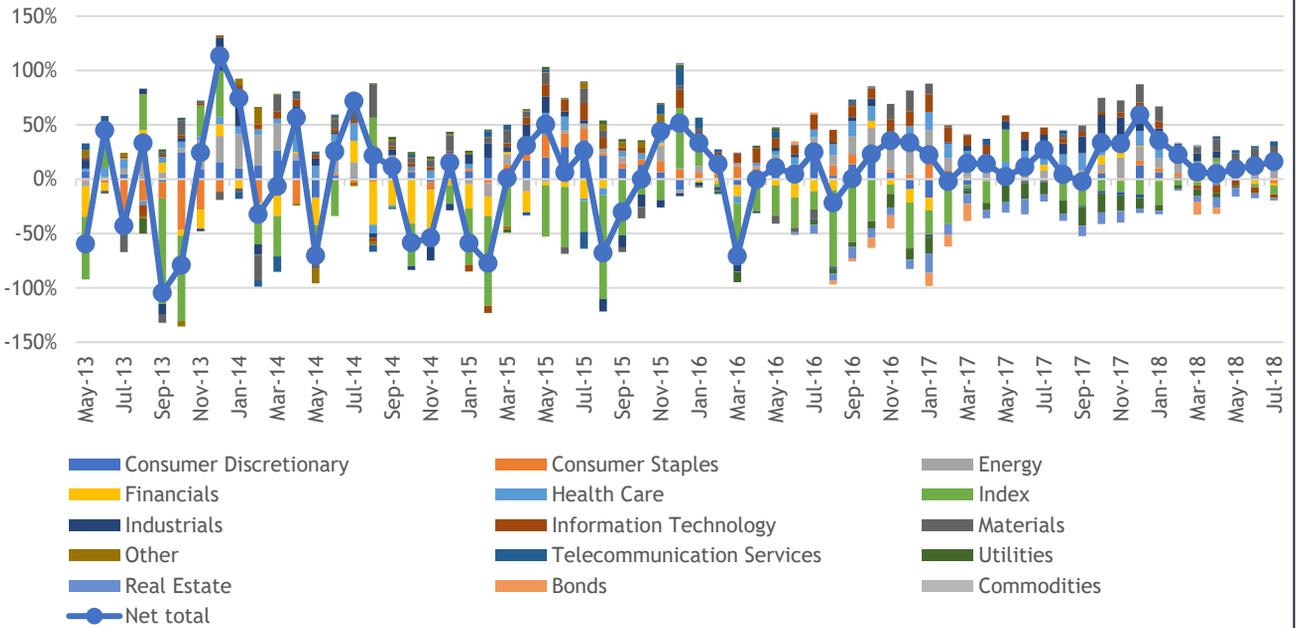


SECTOR RETURN & EXPOSURE



NET AND GROSS HISTORICAL EXPOSURE

HISTORICAL PORTFOLIO EXPOSURE (May 2013 to Current)



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

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.**