

COMMENTARY

EXPOSURES AND ATTRIBUTION

Net exposure averaged 22% long during the month. Until the end of July the macro book had very little exposure. However, during the early weeks of August, this has changed with short positions established in several equity indexes through short futures and puts and stock shorts and puts with global growth exposure. The index exposures are in Nasdaq, S&P500 and ASX200 indices.

Gross exposure averaged 89% during July. The larger positive returns came from Gold, Oil and Growth on the long side and High valuation / Accrual theme on the short side. There were small losses from index trading positions from trading exposures early in July.

PORTFOLIO OPPORTUNITIES AND RISKS

Australian reporting season

Reporting season is upon us which always brings plenty of risks and opportunities. We are reducing our High Valuation / Accrual exposures going into results with a lot of these names now consensus shorts. We feel this reporting season will bring better opportunities initiating positions ex results rather than prepositioning. We will also be using current market weakness to add to our core growth holdings.

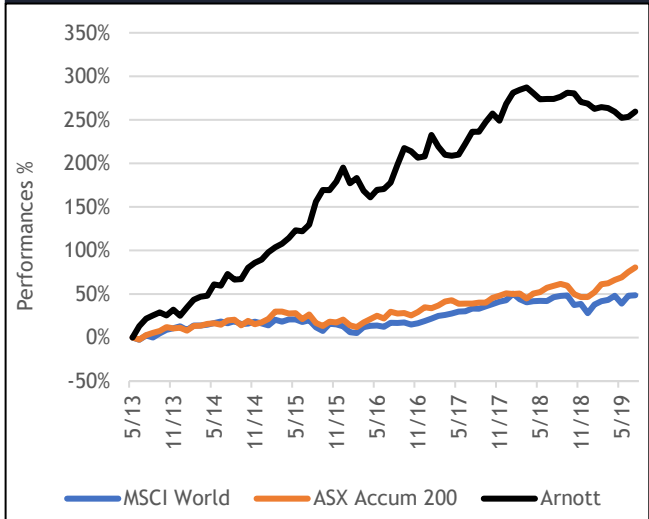
US recession risk?

While there is much talk about an inverted yield curve, we see the key red flag to watch is the consumer. The consumer is roughly 70% of the US economy and the US cannot have a recession without its participation. The fastest way to stunt consumers is to hit them in their wallets. More than 80% of US households rely on labour market income. So we will watch non farm payrolls and consumer confidence very closely.

PERFORMANCE METRICS

	From May 2013
Annualised returns	23.06%
% Positive months	66.22%
Average monthly return	1.82%
Avg +ve monthly return	3.81%
Avg -ve monthly return	-2.09%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	16
Up Capture ratio	29.9%
Down Capture ratio	-212.0%
Sortino	3.66
Sharpe ratio	1.62

CUMULATIVE FUND PERFORMANCE (2013-current)



MONTHLY SUMMARY METRICS

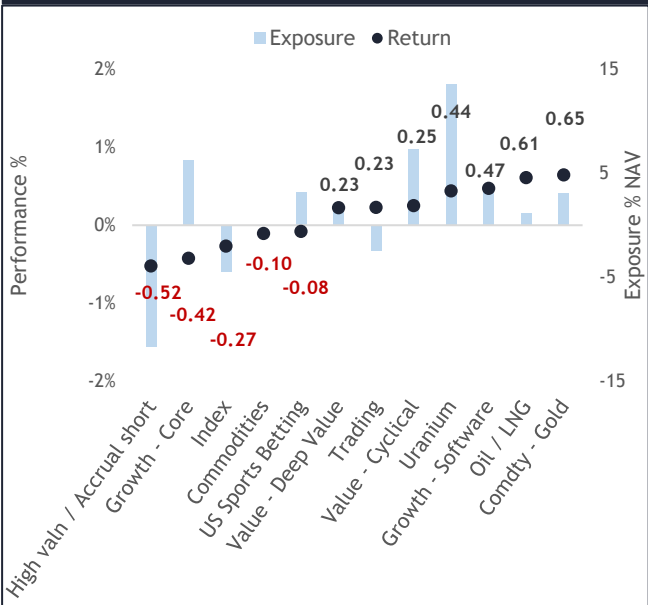
NET RETURN	AV GROSS EXP	AV NET EXP
1.70%	89.23%	22.12%

STRATEGY HISTORICAL PERFORMANCE (%)

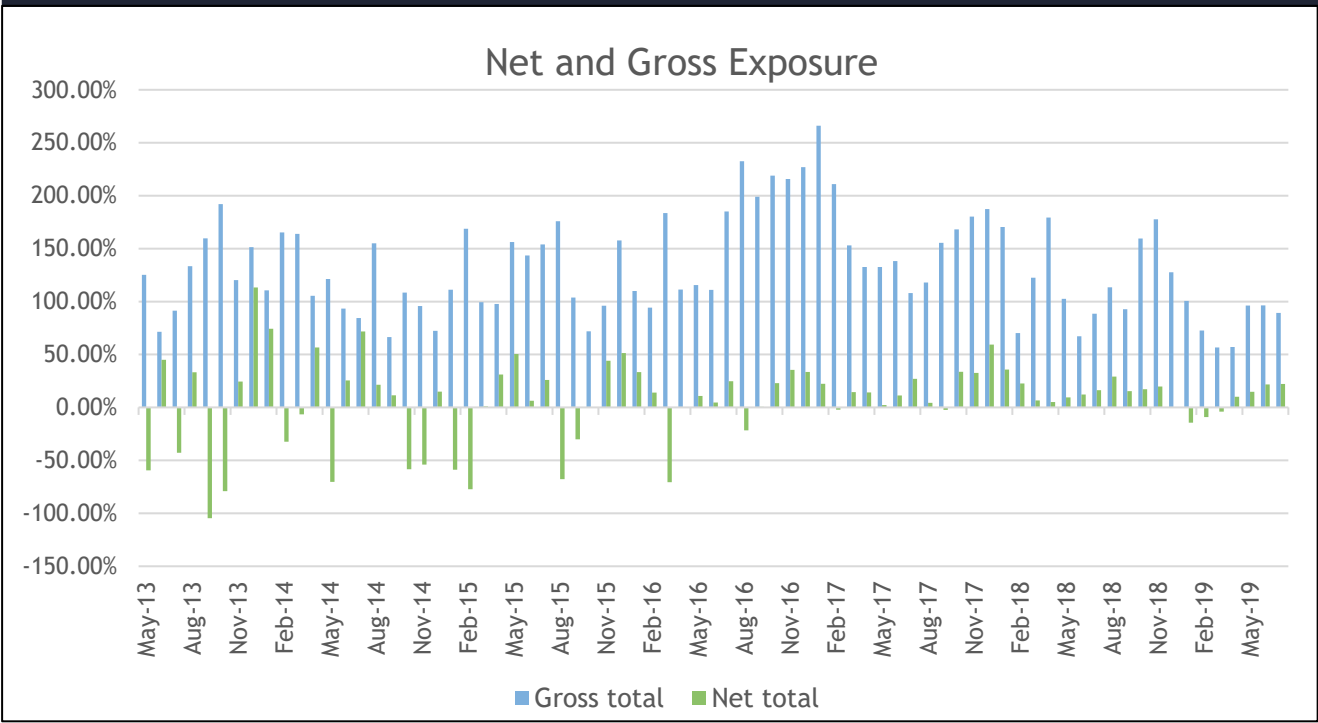
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2013						13.07	7.63	2.97	2.82	-2.69	5.23	-5.25	25.00
2014	7.61	6.56	2.43	0.77	8.87	-0.93	8.46	-3.78	0.34	7.78	3.24	1.92	51.59
2015	4.46	2.88	1.99	3.19	4.12	-0.52	3.44	11.47	5.23	0.00	3.67	5.72	55.80
2016	-6.09	2.14	-5.17	-2.83	3.30	0.40	2.69	7.49	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						-2.52

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



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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