

COMMENTARY

EXPOSURES AND ATTRIBUTION

As at end of June, gross exposures remained low relative to historic standards. Net exposure averaged 12% long, slightly longer than May. Losses were concentrated in High Valuation Shorts, particularly REA and CPU. This was offset by gains mainly in Oil and Materials, particularly JMS.

PORTFOLIO OPPORTUNITIES AND RISKS

Generally, the portfolio exposures have not changed significantly from May.

The portfolio remains long oil, materials and value / high cashflow businesses. There is also exposure to mining services companies that have pulled back in price. We find this space to be very interesting. We are looking at companies that have exposure to Australian East coast infrastructure spend and iron ore work yet to be announced.

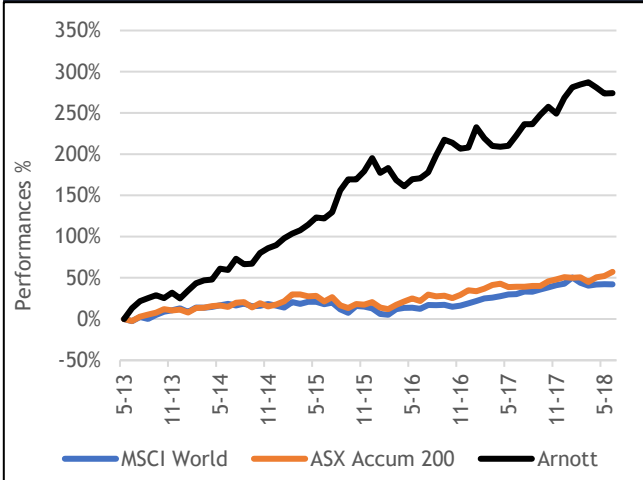
On the short side exposures have been reinitiated in two related themes: Australian credit risk and property cycle. Some of these names, particularly banks, have rallied recently. Short exposure in these themes is across financials, property and consumer retail names.

Gross exposure has increased in July as the losses have stabilised. We look forward to putting on more risk as long as this continues.

PERFORMANCE METRICS

	From May 2013
Annualised returns	29.63%
% Positive months	70.49%
Average monthly return	2.27%
Avg +ve monthly return	4.24%
Avg -ve monthly return	-2.44%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	7
Up Capture ratio	44.2%
Down Capture ratio	-247.4%
Sortino	4.25
Sharpe ratio	1.91

CUMULATIVE FUND PERFORMANCE (2013-current)



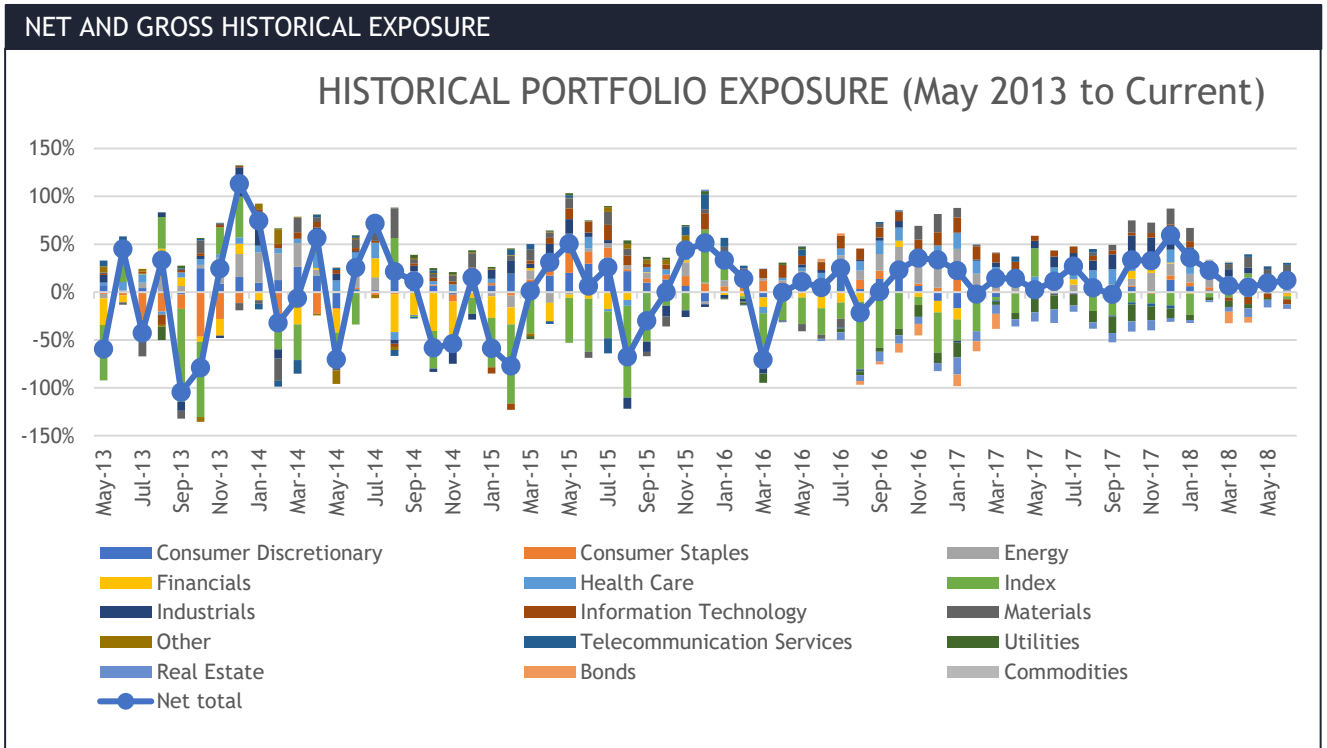
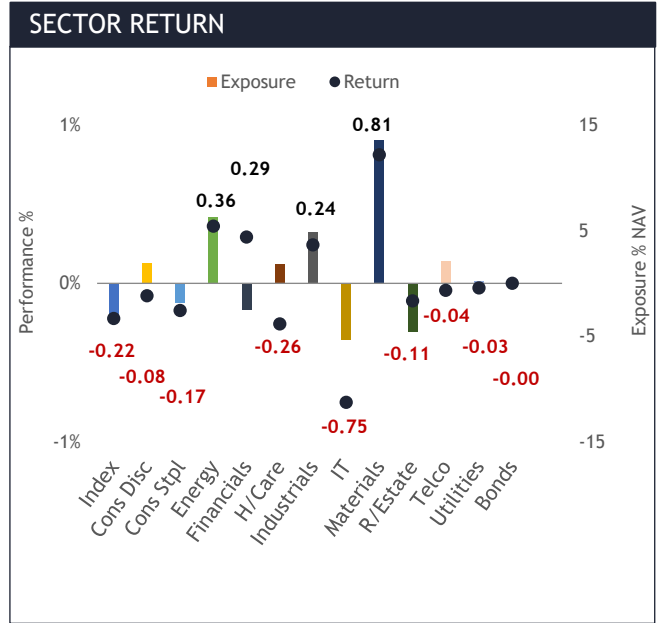
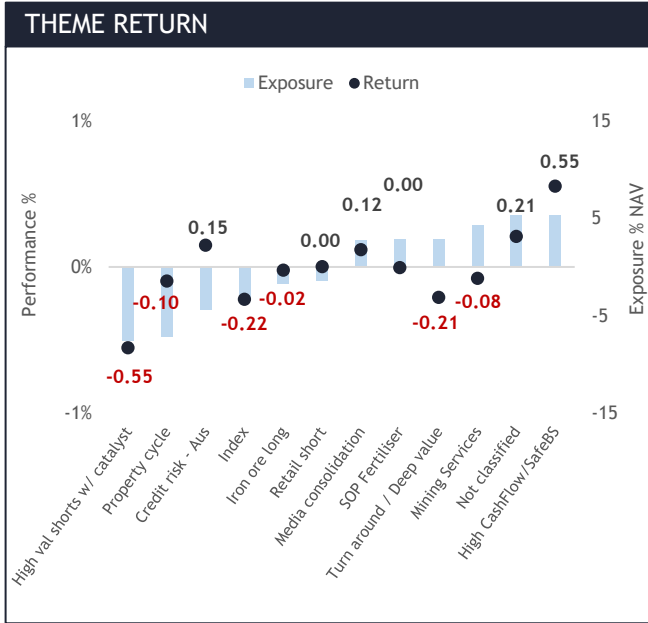
MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
0.09%	67.16%	12.27%

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							1.53

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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