

## COMMENTARY

The fund returned positive 2.74% for the month. Net exposure averaged 65% long, while gross averaged 142%.

From Amazon's high water mark of US\$113 in the dot-com bubble peak of 1999, the share price declined by over 95% to hit a low of US\$5.51 in late 2001. Now, Amazon trades at well north of US\$3,000 per share. Even if you acquired shares at the bubble high price of US\$113, Amazon would have made for a solid investment, generating more than a 25x return on your invested capital. However, on the path to achieving an above average return, you, the investor were down by over 95% along the way.

We tell this story not as pessimists, but as a guiding principle as to why we focus on **Asymmetric investing**. In simple terms, our goal is to achieve above average returns with below average drawdowns. In our endeavours to achieve this, it often sees us investing in unloved and underappreciated equities, shunning the 'go-go' equities of the times where valuations are extended, increasing the risk of a meaningful drawdown. This does not mean we are ignorant to structural growth trends, instead we seek to gain exposure through undervalued beneficiaries.

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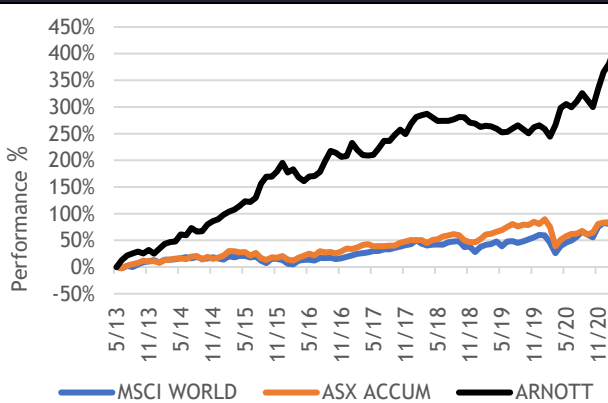
## PERFORMANCE METRICS

	From May 2013	
	Arnett	MSCI
Annualised returns	23.48%	8.62%
% Positive months	65.96%	64.89%
Average monthly return	1.85%	0.77%
Avg return in MSCI up months	1.70%	2.92%
Avg return in MSCI down months	2.12%	-3.21%
Best month	13.07%	12.66%
Worst month	-6.09%	-13.47%
Largest drawdown	-11.61%	-21.44%
Longest drawdown (mths)	24	20
Sortino	4.30	0.84
Sharpe ratio	1.74	0.63

## CORRELATION TO ASSETS (2013 to Current)

MSCI Index	0.07
US Government Bond Index	-0.06
US\$ Gold	0.00
Bloomberg Commodities Index	-0.06
Hedge Fund L/S	0.01

## CUMULATIVE FUND PERFORMANCE (2013-current)



## MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
2.74%	142%	65%

## 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	-4.03	6.32	8.76	1.82	-1.47	2.69	3.82	-2.94	-3.32	8.59	7.22	27.23
2021	3.26	5.69	2.74										12.13

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.

In May of 2018, the Professional and Amateur Sports Protection Act (PASPA) was struck down by the Supreme Court of the United States and with this, sports betting was once again legalised in the U.S, creating a large and growing market opportunity. From US\$0 of revenue prior to 2018 consensus forecasts believe that by 2025 the U.S sports betting market will generate revenues in excess of US\$8bn.

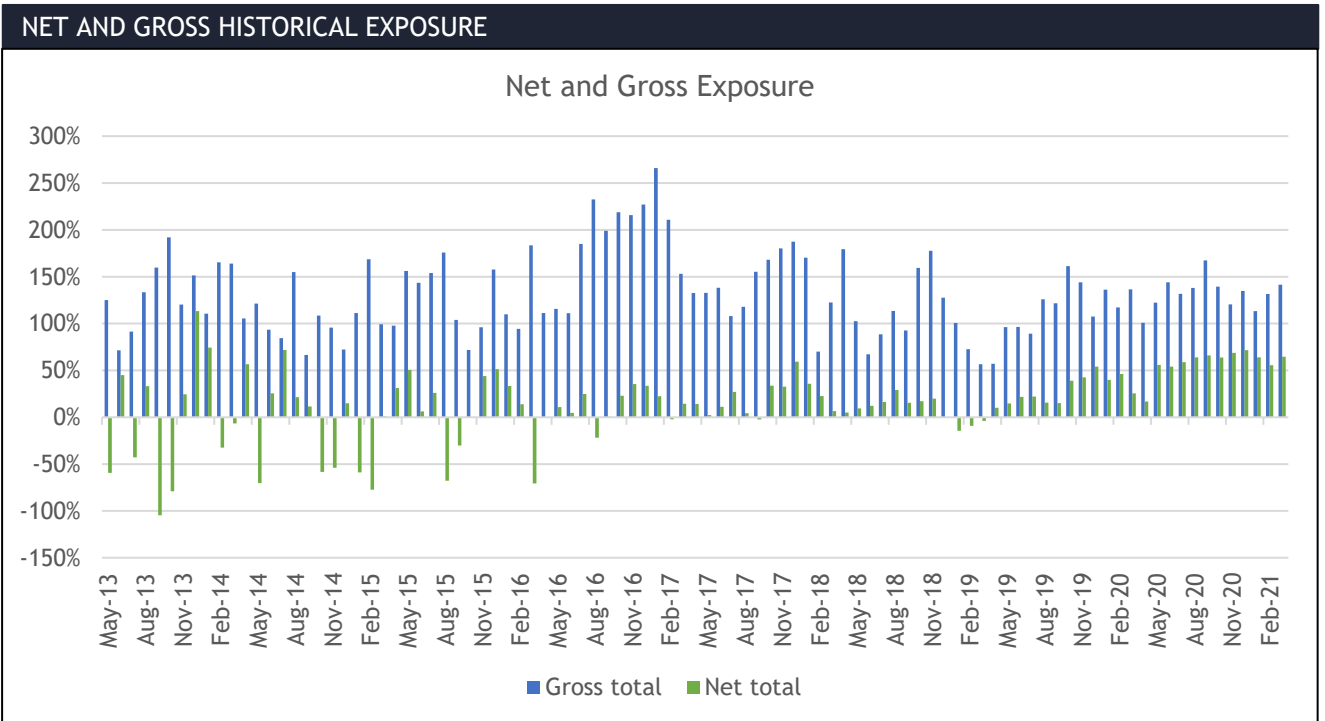
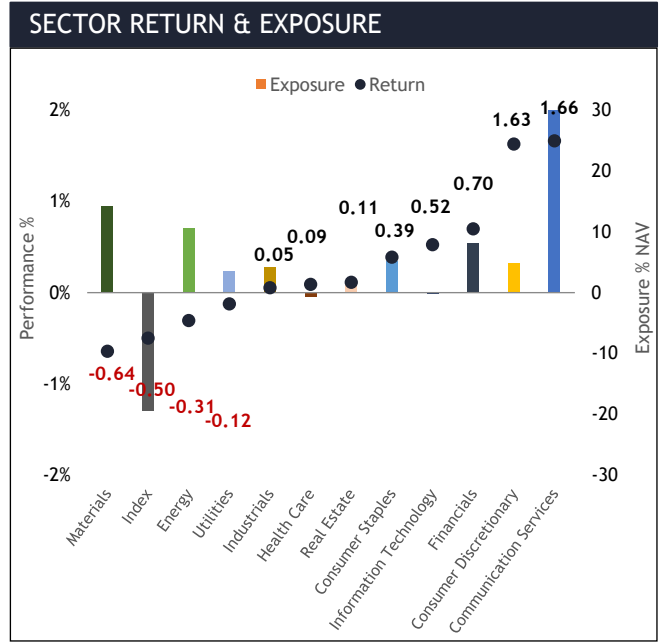
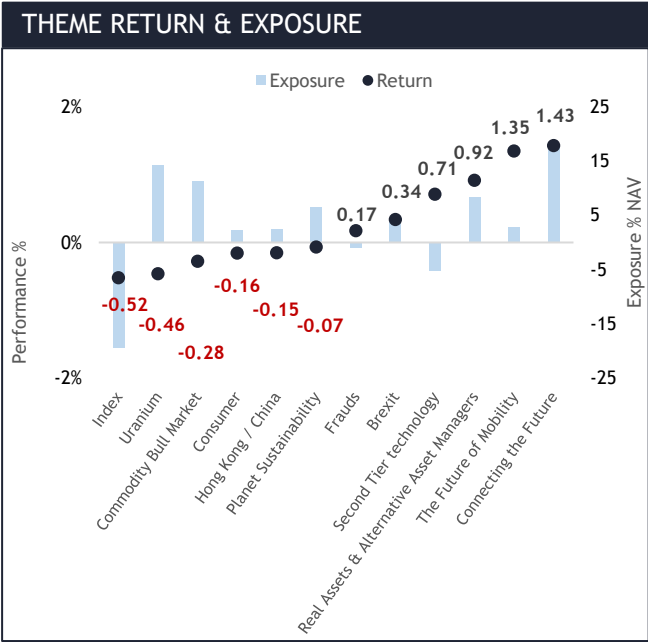
This opportunity has seen the share prices of companies that are direct beneficiaries skyrocket. The poster child for this investment thematic is Draft Kings, which has seen their market capitalisation rise to over US\$25bn from US\$3bn last year. *This is what the market is willing to pay for the number 2 player in this market.*

Since November of 2020, we have held a meaningful long exposure to Fox Corporation ('FOX') as part of our 'content anywhere anytime' theme. Our investment thesis in FOX is primarily centred around the power of the FOX brand to continue and thrive in a world beyond linear television. FOX is one of Americas most trusted news franchises, a leading sports production business and is run by the most successful family in media. Given this powerful combination we are of the belief that FOX will continue and thrive in a world beyond linear pay television. With a growing free cash flow stream, owning the core FOX business on a greater than 10% free cash flow yield is a rare and attractive investment opportunity.

Not only does FOX have a globally recognised news franchise and leading sports production business but they also have a significant exposure to the US sports betting market with a portfolio of assets we believe could be worth well north of US\$4bn:

- A call option to acquire 50% of FOX Bet. An upcoming sports betting app in the US, currently owned and operated by Flutter with a license from FOX;
- A call option to acquire 18.5% of Fanduel - the number 1 market share player in the US sports betting market; and
- A 3% direct equity interest in Flutter.

By owning FOX we not only own a premier media franchise at an attractive valuation but also own a call option to the high growing US sports betting market that the market is ascribing \$0 of value to.



### STRATEGY SUMMARY

**Our Investment Approach:**

1. Find asymmetric themes
2. Invest in the best stocks within those themes
3. Focus on macro drivers for risks and opportunities
4. To generate an asymmetric return profile

The strategy is global long/short equity with a variable delta bias. The portfolio will typically contain 40 to 70 positions. The fund focuses on identifying underinvested global investment themes through extensive macroeconomic research and then utilises a bottom up fundamental process to identify the highest quality securities within an investment theme to deliver Asymmetric returns for investors.

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	20%	FUND ADMINISTRATOR	Mainstream
MANAGEMENT FEE	1.5%	FUND AUDITOR	Ernst and Young
SUBSCRIPTIONS	Monthly	LEGAL ADVISORS	Ernst and Young

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