

COMMENTARY

The fund returned positive 1.82% for the month. Net exposure averaged 55.89% long, while gross averaged 122.42%.

Agriculture was the largest positive contributor. The Agriculture theme fits well with our Investment Approach of 1) Generating a portfolio of uncorrelated themes, and 2) That have asymmetric payoffs. The Agriculture sector is uncoupled from the traditional business cycle, vital to the functioning of any country and was deeply unloved by the investment community. We are running the Agricultural exposure between 15 and 25% long in the portfolio.

Our consumer position was also a positive contributor. Gambling spend is a resilient consumer spend category. From 1997 Gambling spend in Australia has increased +5.2% year on year. Since lockdowns began, Australians have increased online gambling spend by +38%. Despite resilience in demand that is likely post Covid-19, share prices of gaming stocks fell 30%-50%. In this space we bought Star Entertainment ('SGR'), Crown Group ('CWN') - both below book value and Tabcorp Holdings ('TAH'), the owner of Australia's premier lotteries business.

The index short hedge position was the largest detractor from performance.

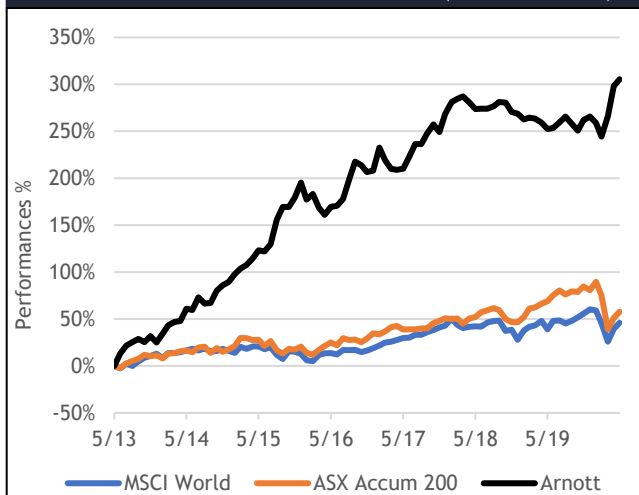
Jerome Powell's speech post FOMC

Asked about the chance that the Fed could surprise hawkishly if the economy surprised positively, Chair Powell emphasized: "we're not thinking about raising rates, we're not even thinking about thinking about raising rates".

PERFORMANCE METRICS

	From May 2013	
	Arnett	MSCI
Annualised returns	22.14%	5.55%
% Positive months	65.48%	63.86%
Average monthly return	1.75%	0.52%
Avg return in MSCI up months	1.38%	2.63%
Avg return in MSCI down months	2.43%	-3.27%
Best month	13.07%	10.80%
Worst month	-6.09%	-13.47%
Largest drawdown	-11.61%	-21.44%
Longest drawdown (mths)	24	20
Sortino	3.72	0.59
Sharp ratio	1.56	0.47

CUMULATIVE FUND PERFORMANCE (2013-current)

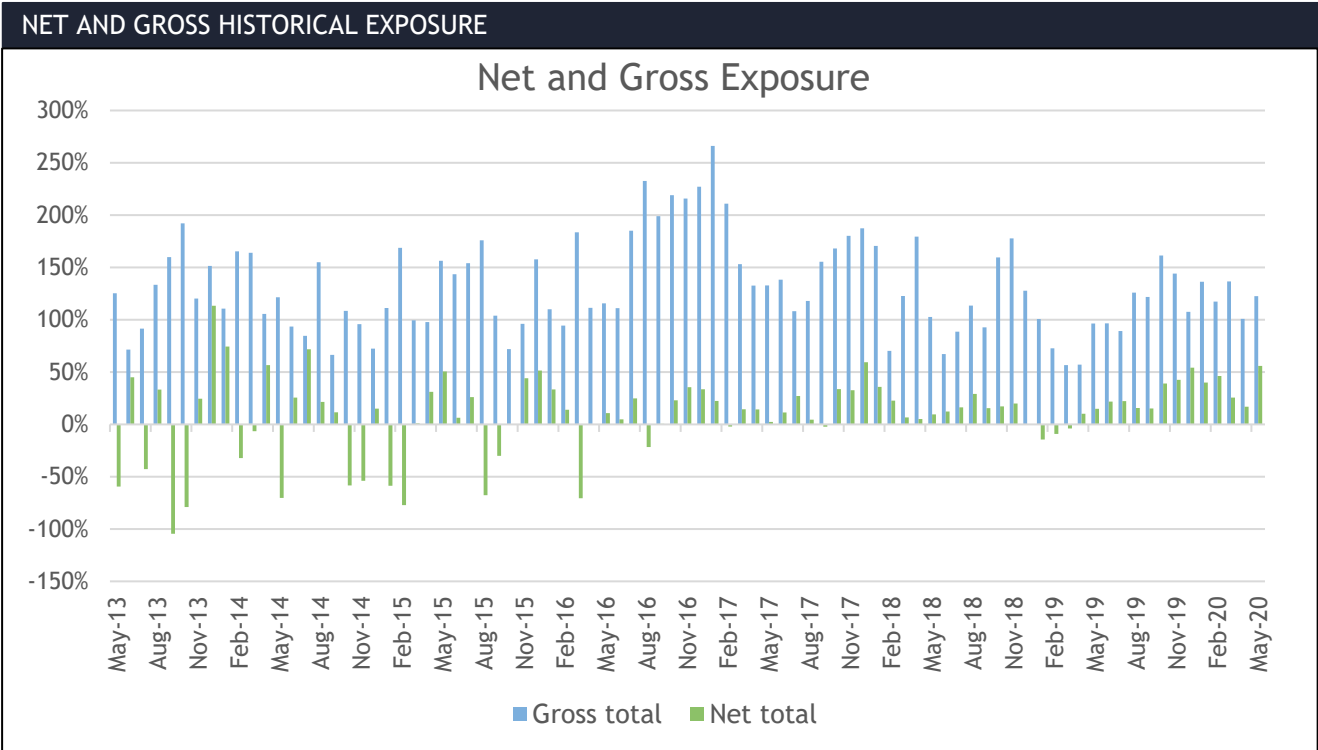
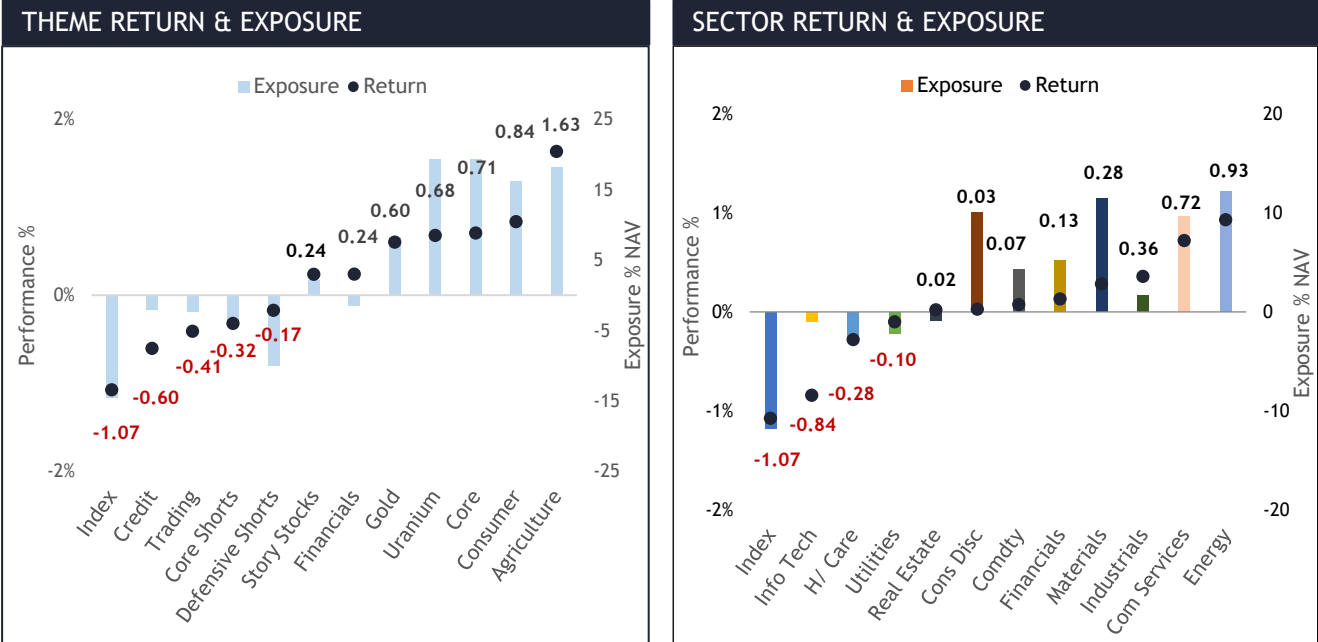


MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
1.82%	122.42%	55.89%

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								10.86



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. The portfolio will typically contain 40 to 70 positions. 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	Ernst and Young

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