

**COMMENTARY**

The fund returned positive 8.59% for the month. Net exposure averaged 69% long, while gross averaged 120%.

The primary source of returns in November was from our increased long exposure to “value” equities across multiple themes. As we had previously discussed the divergence in price between growth and value equities at the beginning of November was at an extreme not seen since 2000. Multiple positive vaccine headlines and the removal of an overhang being the US presidential election proved to be the catalysts to see the Value factor outperform over November.

Whether this is the emergence of a change in trend in global equity markets, with the next decade being dominated by the return of “Value”, we have no idea. We will, as always, keep a watching eye over macro-economic factors to help guide us on thematic and overall portfolio exposure.

What we are certain about is that we are genuinely excited for the period ahead. We continue to identify and invest in new themes that excite us and fit our asymmetric risk reward approach to investing on both the long and short side of the portfolio. On the long side of the portfolio, we have identified multiple investment opportunities in securities such as FOX Corporation Veolia and Covanta, to name a few. These names are more than 25% lower than their pre COVID-19 levels but are operating in industries that have seen a true V-shaped recovery in operating conditions. (continued over page)

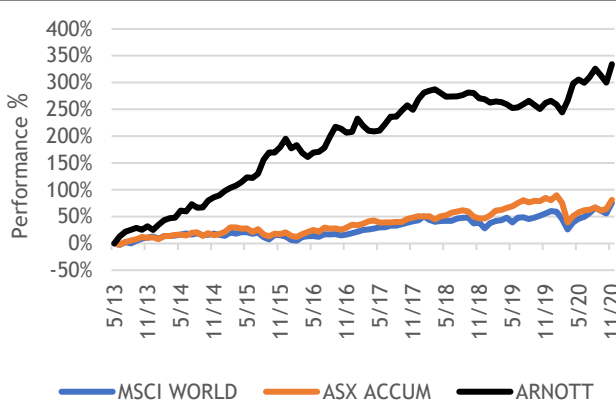
**PERFORMANCE METRICS**

|                                | From May 2013 |         |
|--------------------------------|---------------|---------|
|                                | Arnott        | MSCI    |
| Annualised returns             | 21.62%        | 7.79%   |
| % Positive months              | 64.44%        | 64.44%  |
| Average monthly return         | 1.72%         | 0.71%   |
| Avg return in MSCI up months   | 1.52%         | 2.90%   |
| Avg return in MSCI down months | 2.08%         | -3.27%  |
| Best month                     | 13.07%        | 12.66%  |
| Worst month                    | -6.09%        | -13.47% |
| Largest drawdown               | -11.61%       | -21.44% |
| Longest drawdown (mths)        | 24            | 20      |
| Sortino                        | 3.96          | 0.73    |
| Sharpe ratio                   | 1.67          | 0.56    |

**CORRELATION TO ASSETS (2013 to Current)**

|                             |       |
|-----------------------------|-------|
| MSCI Index                  | -0.02 |
| US Government Bond Index    | -0.02 |
| US\$ Gold                   | 0.03  |
| Bloomberg Commodities Index | -0.14 |
| Hedge Fund L/S              | 0.02  |

**CUMULATIVE FUND PERFORMANCE (2013-current)**



**MONTHLY SUMMARY METRICS**

|            |              |            |
|------------|--------------|------------|
| NET RETURN | AV GROSS EXP | AV NET EXP |
| 8.59%      | 120%         | 69%        |

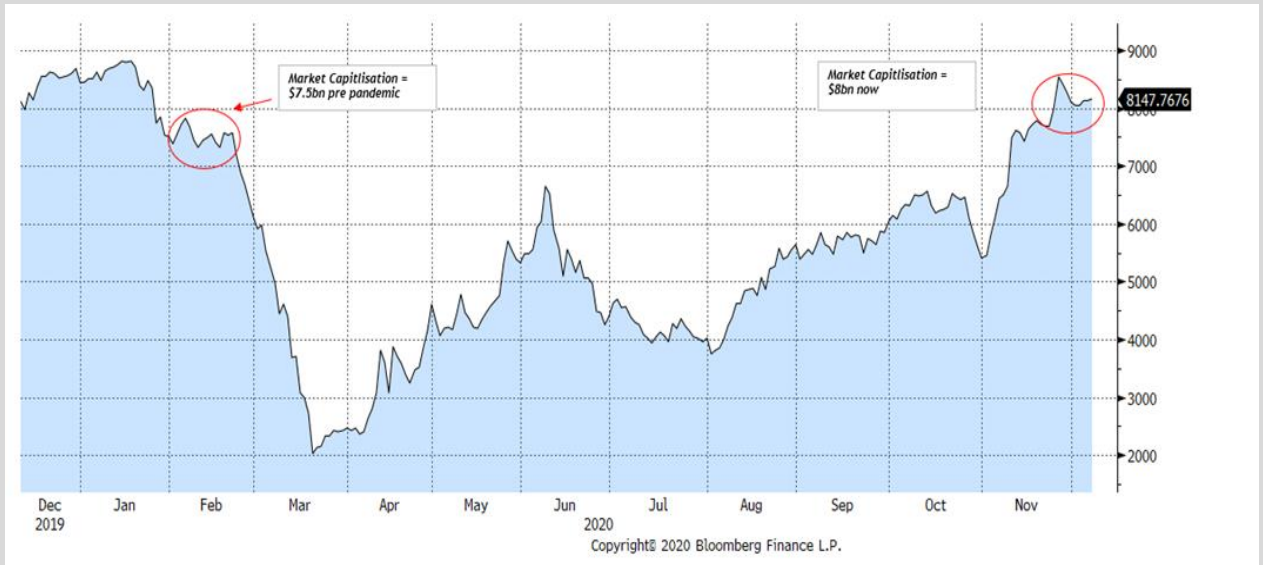
**STRATEGY HISTORICAL PERFORMANCE (%)**

|      | 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  |       | 18.67  |

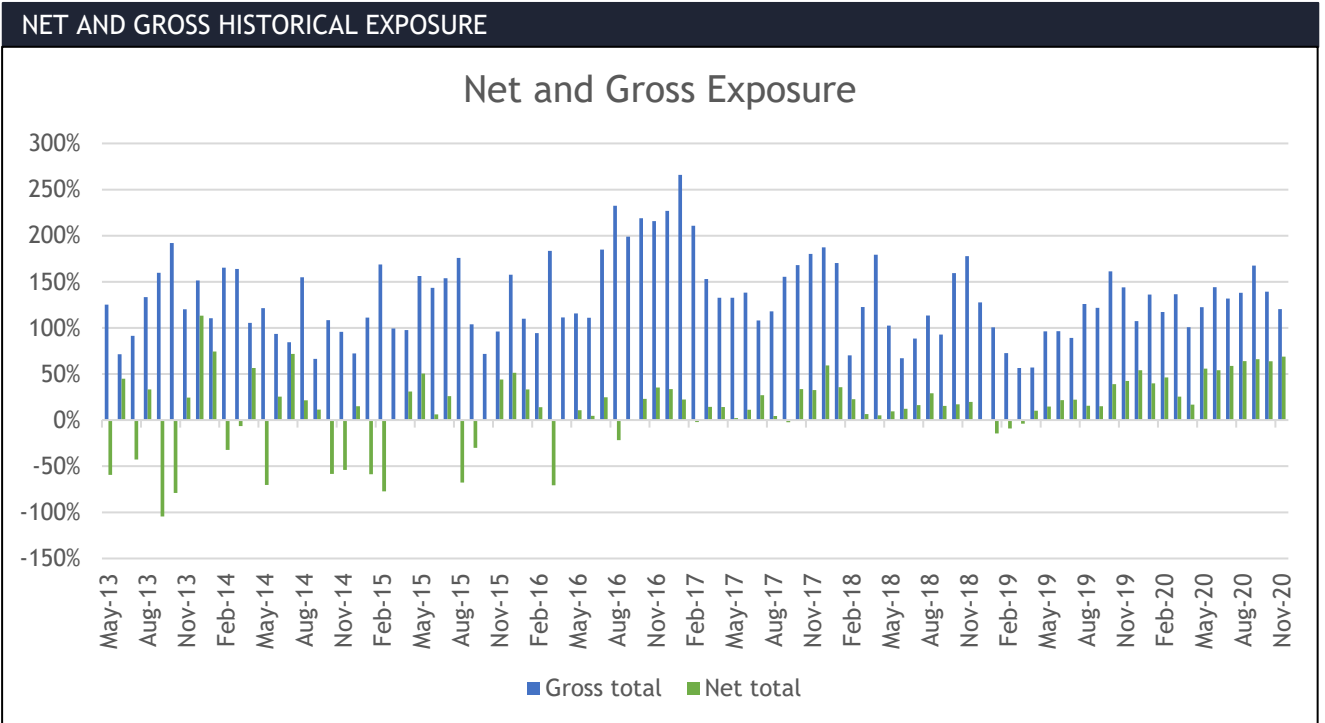
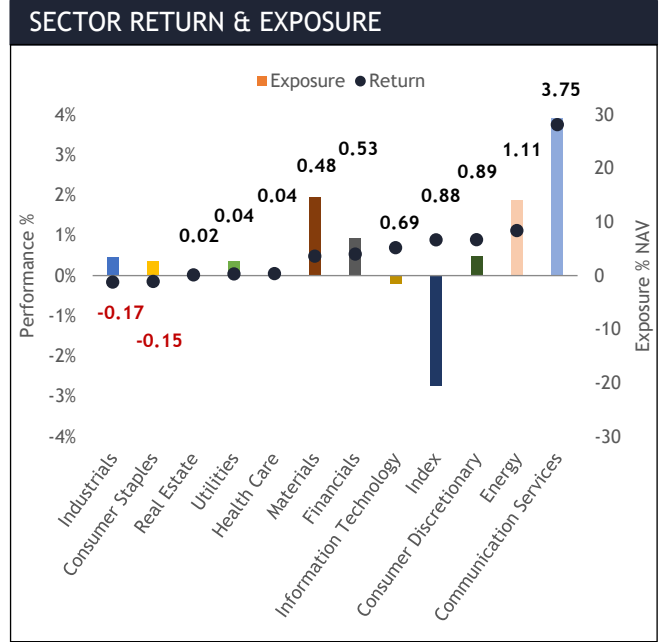
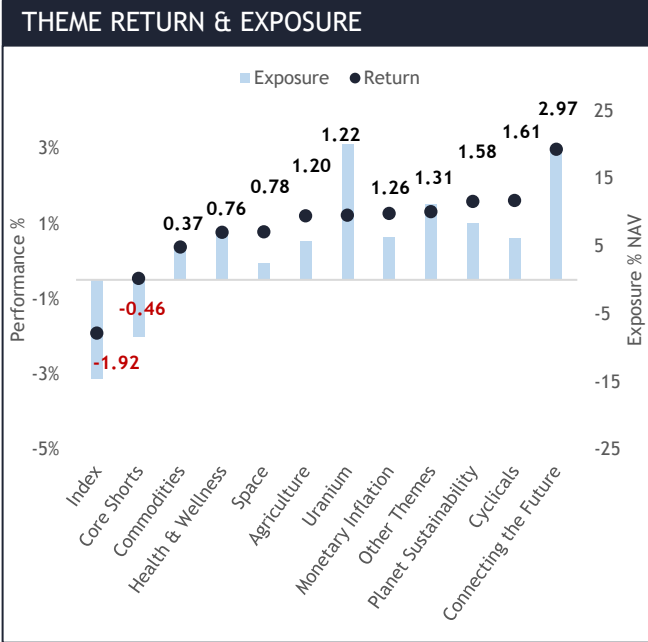
2013 - 2017 Data. Bondi Capital Investments Pty Ltd (managed account). Performance net of 0 & 25 fees. Currency AUD. Fund administered by Mainstream. Fund was not audited. 2018 - Current Data. Australian Unit trust. Performance net of 0 & 25 fees. Currency AUD. Fund administered by Mainstream. Fund audited by EY.

COMMENTARY continued

Interestingly, there are other names, primarily in the travel space where the market seems to have determined that 2021 / 2022 will be the best years for these business due to a surge in global travel. We recall in 2009 during the recapitalisation mania that was taking place, that we in the markets, forget about market capitalisations adjusted for capital raisings. And as Mark Twain reportedly said, “history does not repeat itself, but it rhymes”. So, we thought it might be interesting to look at the current situation. Most of these travel stocks now have market capitalisations (adjusted for capital raisings) greater than before the word COVID-19 entered the popular vernacular.



To us this presents as an asymmetric opportunity. Here you have companies currently losing money every month, operating in a very uncertain environment, with no idea what global travel will look like in 1 year from now. Business travel is a significant component of earnings for these companies, and while we do not actually know what business travel will be like in a post COVID world, there is already much speculation that it will be significantly reduced. Bill Gates said he predicts over 50% of business travel will go away in the pandemic’s aftermath. Despite all these uncertainties, some investors are willing to pay more for these companies today, than in January 2020.



### 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<br>ABN 23086081889                             |
| STRATEGY INCEPTION    | 1999          | CIO<br>KENNY ARNOTT    | kma@arnott.com.au  |
| MINIMUM SUBSCRIPTIONS | AUD \$100,000 | CONTACT<br>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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