

COMMENTARY

The fund returned positive 9.33% 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)

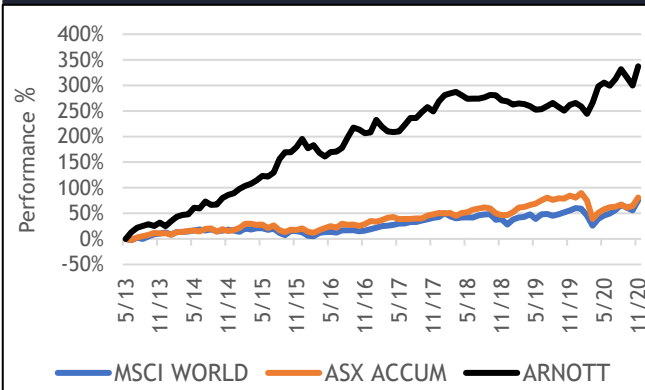
PERFORMANCE METRICS

	From May 2013	
	Arnett	MSCI
Annualised returns	21.74%	7.79%
% Positive months	64.44%	64.44%
Average monthly return	1.73%	0.71%
Avg return in MSCI up months	1.55%	2.90%
Avg return in MSCI down months	2.04%	-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	3.75	0.73
Sharpe ratio	1.65	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
9.33%	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	-1.33	0.20	-0.21	-0.95	-1.87	0.50	1.75	1.53	-1.91	-2.00	3.28	1.12	-0.04
2020	-2.03	-5.10	7.77	7.95	1.60	-1.31	3.22	4.56	-3.56	-3.90	9.33		18.61

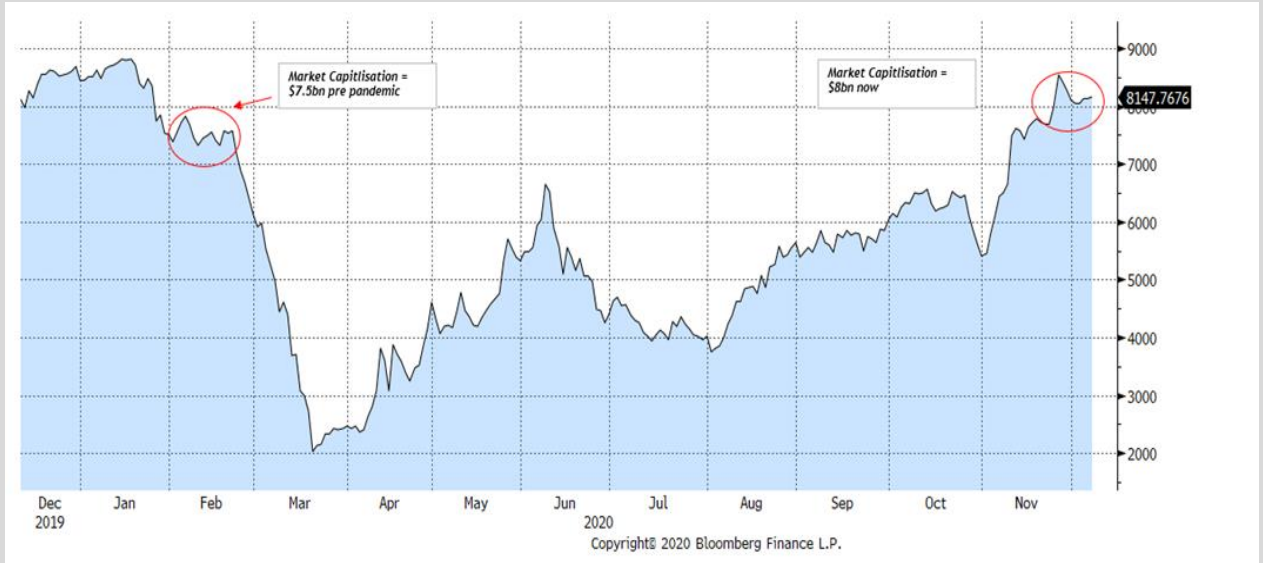
2013 - 2017 Data. Bondi Capital Investments Pty Ltd (managed account). Performance net of 0 & 25 fees. Currency AUD. Fund administered by Mainstream. Fund was not audited.

2018 - 2019 Data. Australian Unit trust. Performance net of 0 & 25 fees. Currency AUD. Fund administered by Mainstream. Fund audited by EY.

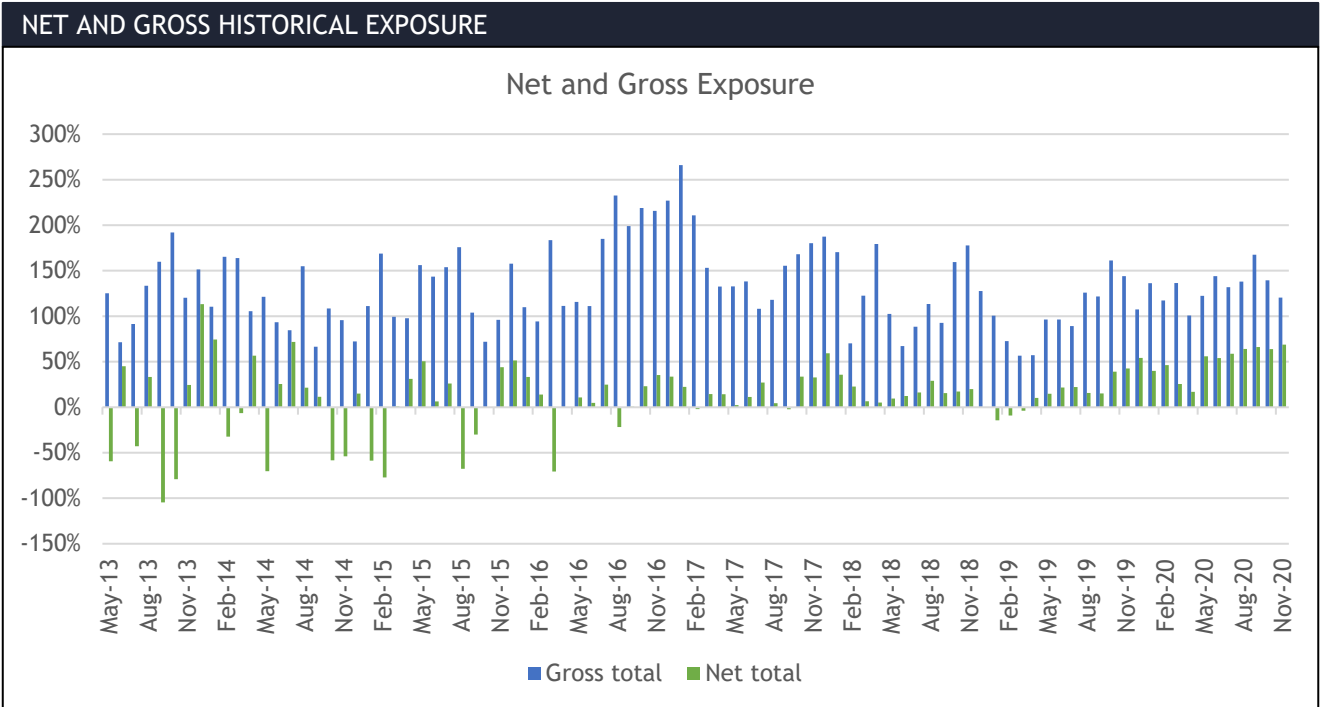
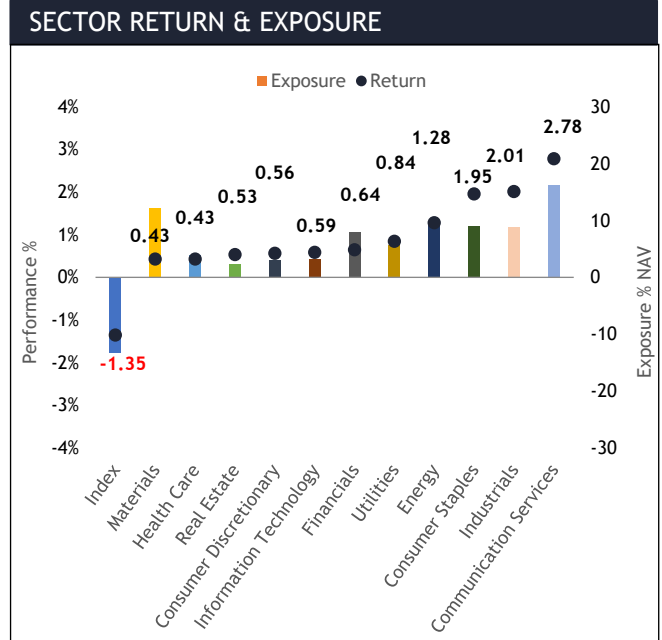
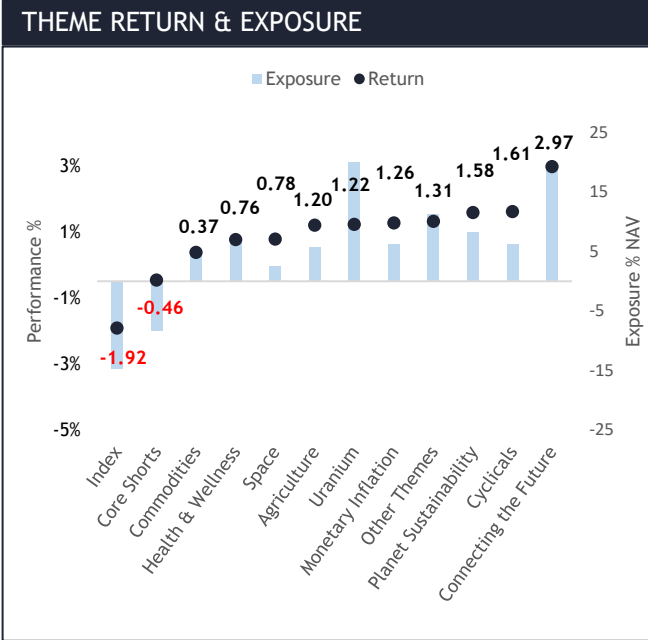
2019 - Current Data. Arnett Opportunities Fund (Cayman). Performance net of 0 & 25 fees. Currency USD. Fund administered by Mainstream. Fund audited by EY.

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	USD	ARNOTT CAPITAL PTY LTD	AFSL License 233743 ABN 23086081889
STRATEGY INCEPTION	1999	CIO KENNY ARNOTT	kma@arnott.com.au
MINIMUM SUBSCRIPTIONS	USD \$100,000	CONTACT DETAILS	investor@arnott.com.au
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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