

COMMENTARY

EXPOSURES AND ATTRIBUTION

Net exposure averaged 39% long during the month, while gross averaged 161%. The macro book remains short exposures primarily in Russell 2000 indices futures and puts.

Uranium and specifically Paladin was a big drag on the P&L this month. The good news is, there has been shareholder activism resulting in board changes and a fresh management approach. Furthermore, the Uranium spot price has risen off the recent lows. The US working group is due any day which will provide some clarity for US utilities so they can resume purchases. Furthermore, Republicans in both the House of Representatives and the Senate, have very recently introduced legislation to revoke waivers for Iran. Current waivers allow US utilities to import 20% of uranium fuel from Russia.

PORTFOLIO OPPORTUNITIES AND RISKS

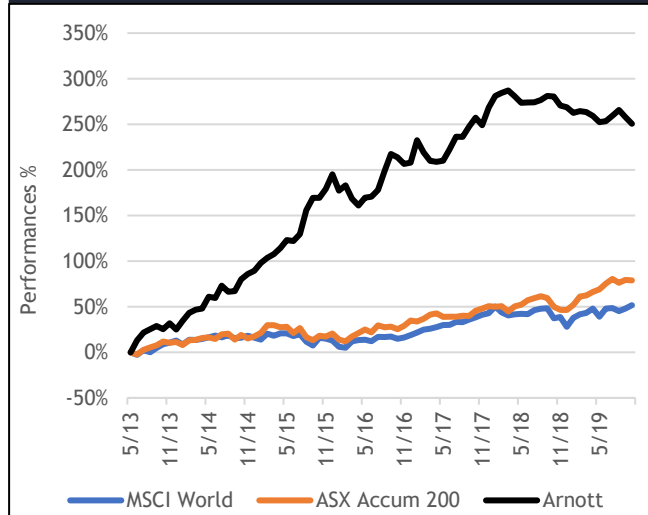
We have a large position in Karoon. Recently, they completed a large raising to complete the purchase of Petrobras Bauna assets. Currently producing 20k barrels per day, Karoon are targeting 33k by 2022. Prior to the deal the stock was trading at \$1.15, so the 93c price was a very low risk entry into the name. Moreover, Karoon has just announced they have secured a drillship for the Marina prospect in Peru. While Bauna will provide strong cashflow, Peru will add exploration upside. Management have indicated 30% probability of success, yet the market is not even pricing in Bauna let alone anything for Peru. This is the best risk reward setup we have seen in a while.

Growth opportunities remain our second biggest exposure behind Uranium at 16%. Of these, our largest position is in Catapult, which continues to perform well.

PERFORMANCE METRICS

	From May 2013
Annualised returns	21.60%
% Positive months	64.94%
Average monthly return	1.71%
Avg +ve monthly return	3.77%
Avg -ve monthly return	-2.09%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	19
Up Capture ratio	27.7%
Down Capture ratio	-204.8%
Sortino	3.59
Sharpe ratio	1.54

CUMULATIVE FUND PERFORMANCE (2013-current)



MONTHLY SUMMARY METRICS

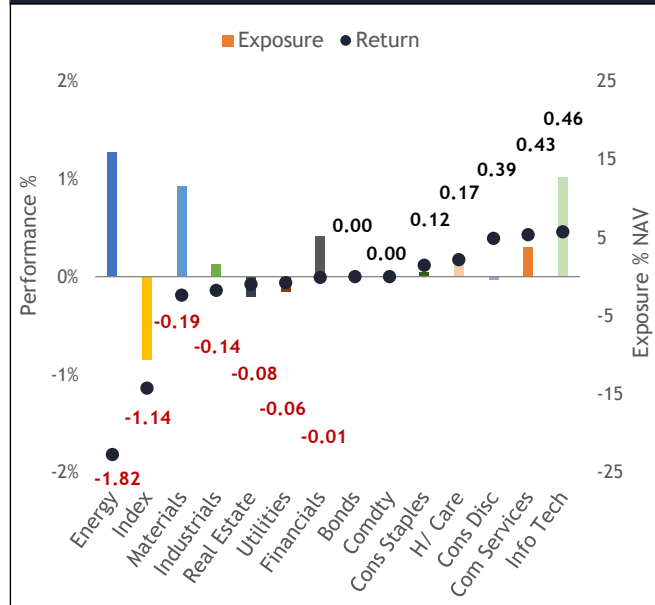
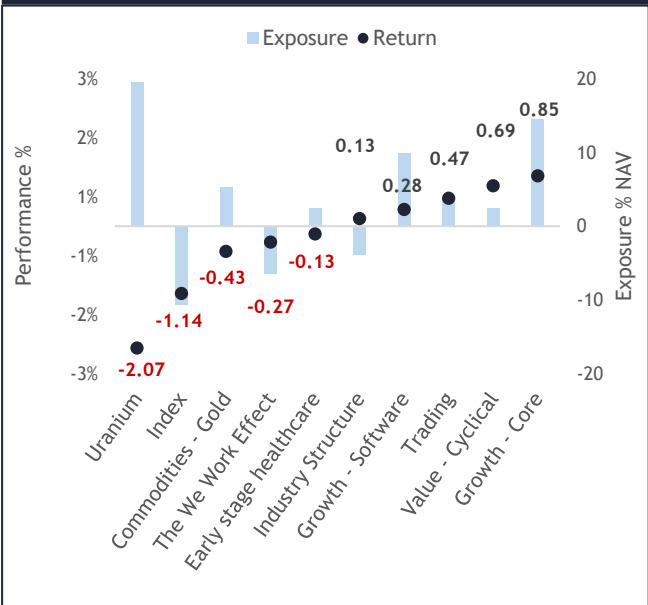
NET RETURN	AV GROSS EXP	AV NET EXP
-2.04%	161.31%	38.99%

STRATEGY HISTORICAL PERFORMANCE (%)

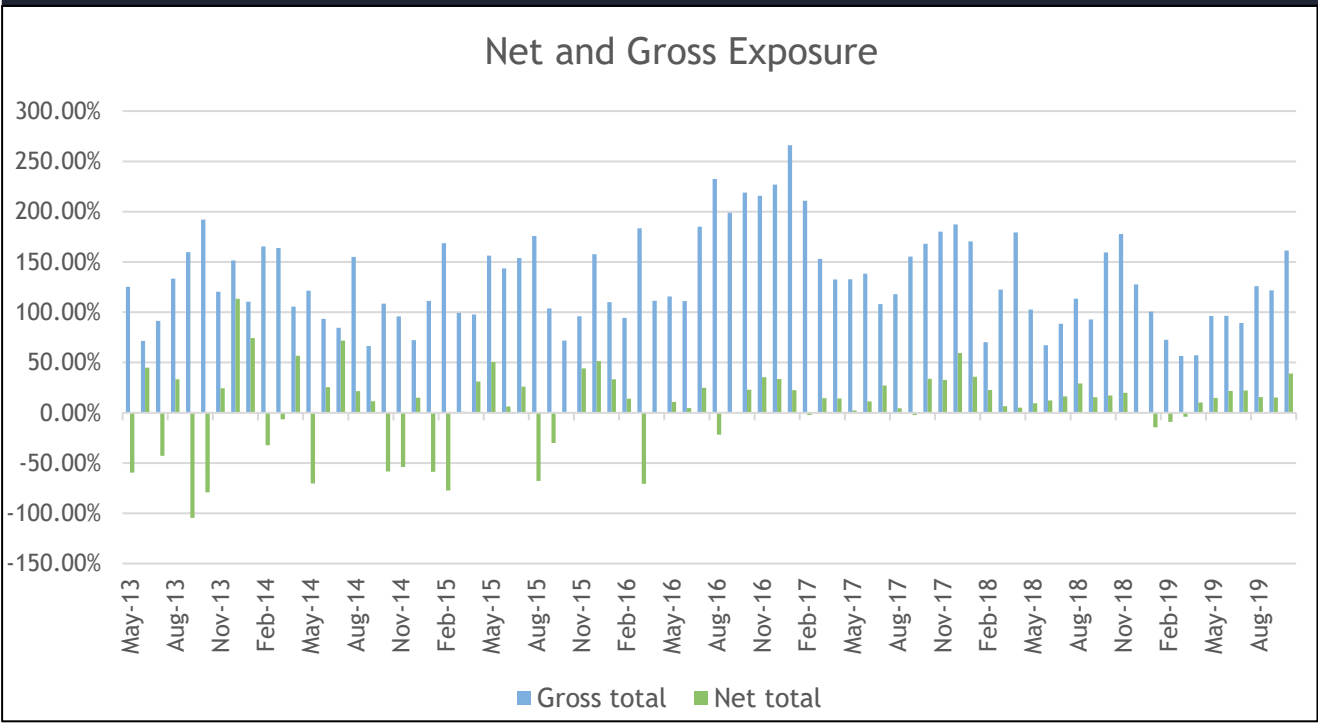
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2013						13.07	7.63	2.97	2.82	-2.69	5.23	-5.25	25.00
2014	7.61	6.56	2.43	0.77	8.87	-0.93	8.46	-3.78	0.34	7.78	3.24	1.92	51.59
2015	4.46	2.88	1.99	3.19	4.12	-0.52	3.44	11.47	5.23	0.00	3.67	5.72	55.80
2016	-6.09	2.14	-5.17	-2.83	3.30	0.40	2.69	7.49	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			-4.90

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.

THEME RETURN & EXPOSURE **SECTOR RETURN & EXPOSURE**



NET AND GROSS HISTORICAL EXPOSURE



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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