

**COMMENTARY**

**EXPOSURES AND ATTRIBUTION**

During the month, net exposure varied between 1.5% net long and 36%. Profits for the month were in High Cashflow, Oil and Software themes. Losses were in Index and Media consolidation. Both the shorts and longs in equity positions contributed positively to performance. The drag was index trading where short dated puts in the Nikkei, S&P500 and ASX SPI were a drag on performance.

**PORTFOLIO OPPORTUNITIES AND RISKS**

Long themes are in value and higher risk growth opportunities in mining and software sectors. Shorts are concentrated in companies which are at risk of credit issues due to households being highly leveraged. The second key short exposure is high valuation names.

**MACRO WATCH**

Going into US reporting season we are focused on three things; margins, news on tariff effect from companies and 4<sup>th</sup> quarter outlook statements.

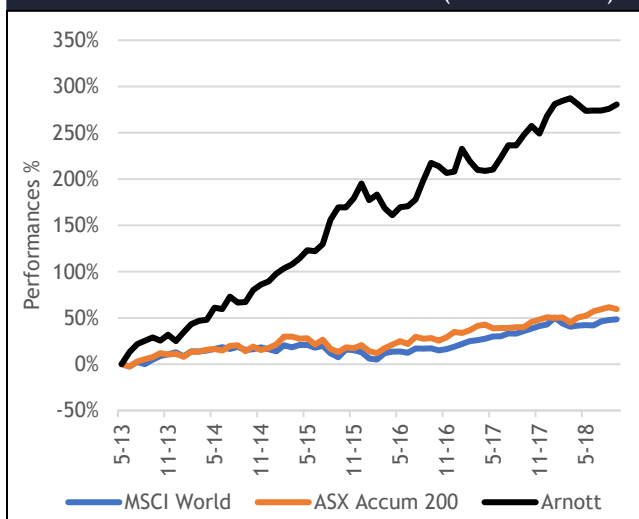
**MONTHLY SUMMARY METRICS**

<b>NET RETURN</b> 1.24%	<b>AV GROSS EXP</b> 92.72%	<b>AV NET EXP</b> 15.45%
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**PERFORMANCE METRICS**

	From May 2013
Annualised returns	28.48%
% Positive months	70.31%
Average monthly return	2.19%
Avg +ve monthly return	4.09%
Avg -ve monthly return	-2.31%
Best month	13.07%
Worst month	-6.09%
Largest drawdown	-11.61%
Longest drawdown (mths)	7
Up Capture ratio	42.8%
Down Capture ratio	-249.3%
Sortino	4.03
Sharpe ratio	1.88

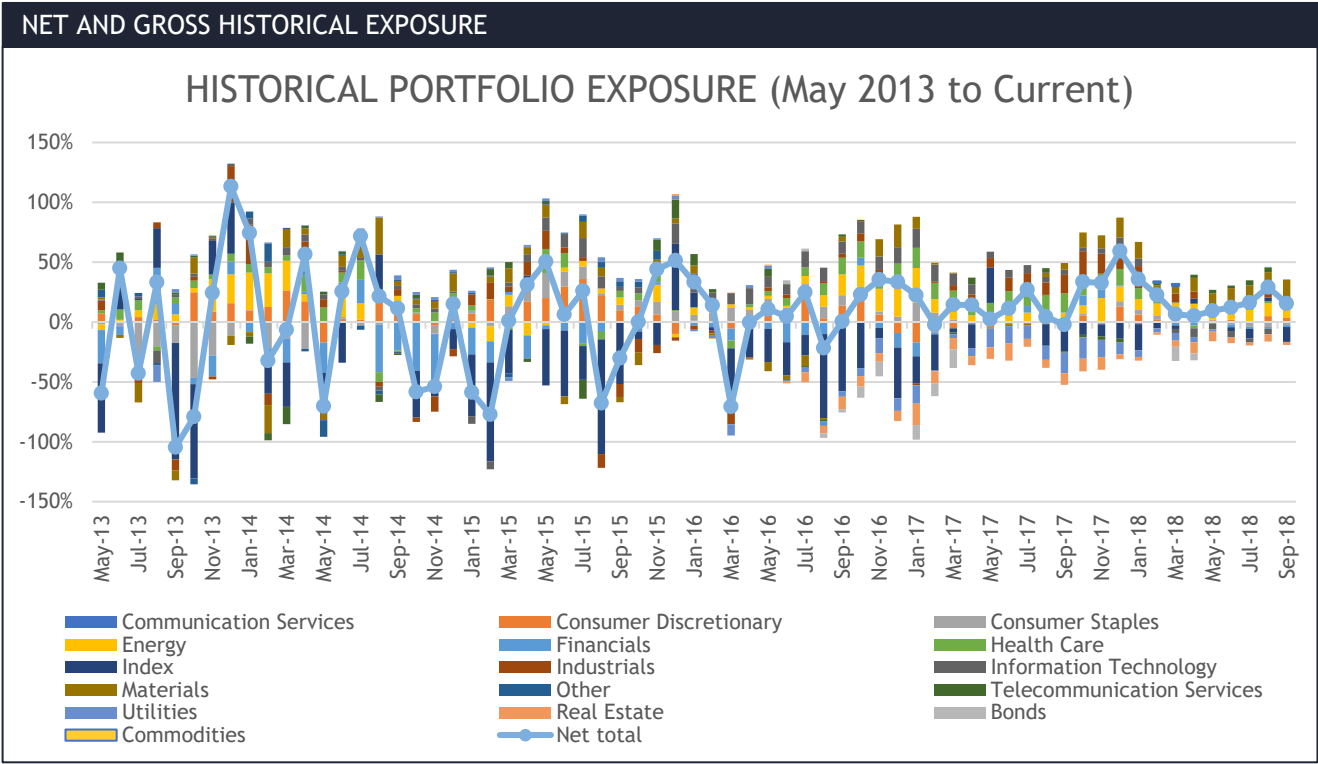
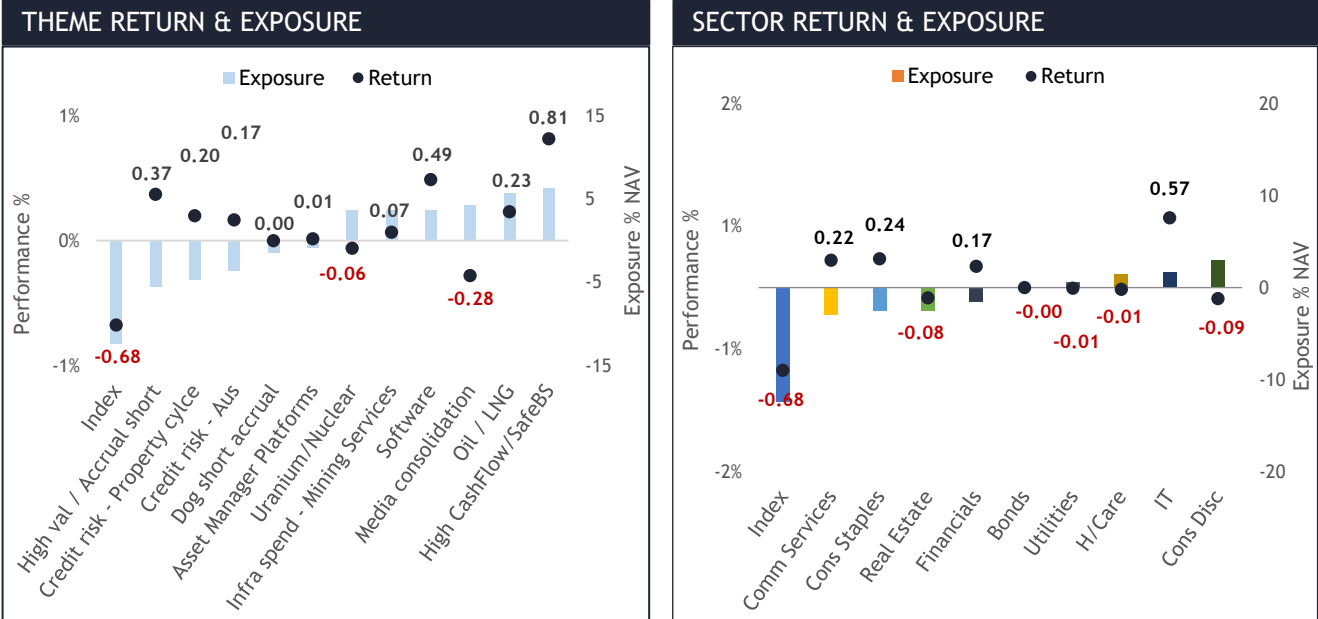
**CUMULATIVE FUND PERFORMANCE (2013-current)**



**STRATEGY HISTORICAL PERFORMANCE (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
<b>2013</b>						13.07	7.63	2.97	2.82	-2.69	5.23	-5.25	25.00
<b>2014</b>	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
<b>2015</b>	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
<b>2016</b>	-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
<b>2017</b>	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
<b>2018</b>	3.47	0.88	0.72	-1.68	-1.86	0.09	0.03	0.66	1.24				3.50

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.



**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	<a href="mailto:investor@arnott.com.au">investor@arnott.com.au</a>
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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