

COMMENTARY

EXPOSURES AND ATTRIBUTION

Net exposure averaged 15% long during the month, while gross averaged 122%. The macro book remains short exposures in S&P500 and ASX200 indices. Infrastructure and mining services, Early stage healthcare, growth and Nickel exposure contributed positively. High Valuation / Accrual shorts and shorts in derivatives in the macro book were the key negative contributors to performance for the month.

MACRO WATCH

Negatives

US earnings season, trade and Brexit are the key watch list items on the macro side. While seasonally, October is always a month to be careful of. Also, there are plenty of data points globally pointing to weaker growth.

Positives

However, if we get through the US earnings season without significant downgrades then that will take away a key risk from the markets. Also with the Fed now buying 60 billion of treasuries per month we now have all three major central banks providing liquidity or doing QE. Interestingly, the Fed is buying the short end of the curve, which is taking the pressure off the long end. This may support a case for a rally in, or switch to, cyclical rather than defensives.

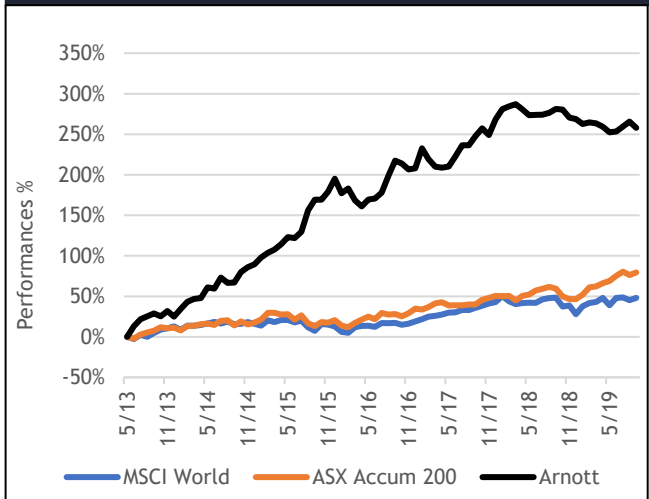
What to pay for growth?

The last few months have seen very high valuation names and recent IPO's price collapse. Uber, Lyft, Peloton and Slack just to name a few. And of course the failed IPO of WeWork. While locally, we have seen recent IPO's pulled including Latitude. While there may be valid individual reasons for all of these, it could also be an emerging theme towards investors becoming more discerning on what price they pay for growth.

PERFORMANCE METRICS

	From May 2013
Annualised returns	22.31%
% Positive months	65.79%
Average monthly return	1.76%
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)	18
Up Capture ratio	27.7%
Down Capture ratio	-214.0%
Sortino	3.62
Sharpe ratio	1.58

CUMULATIVE FUND PERFORMANCE (2013-current)



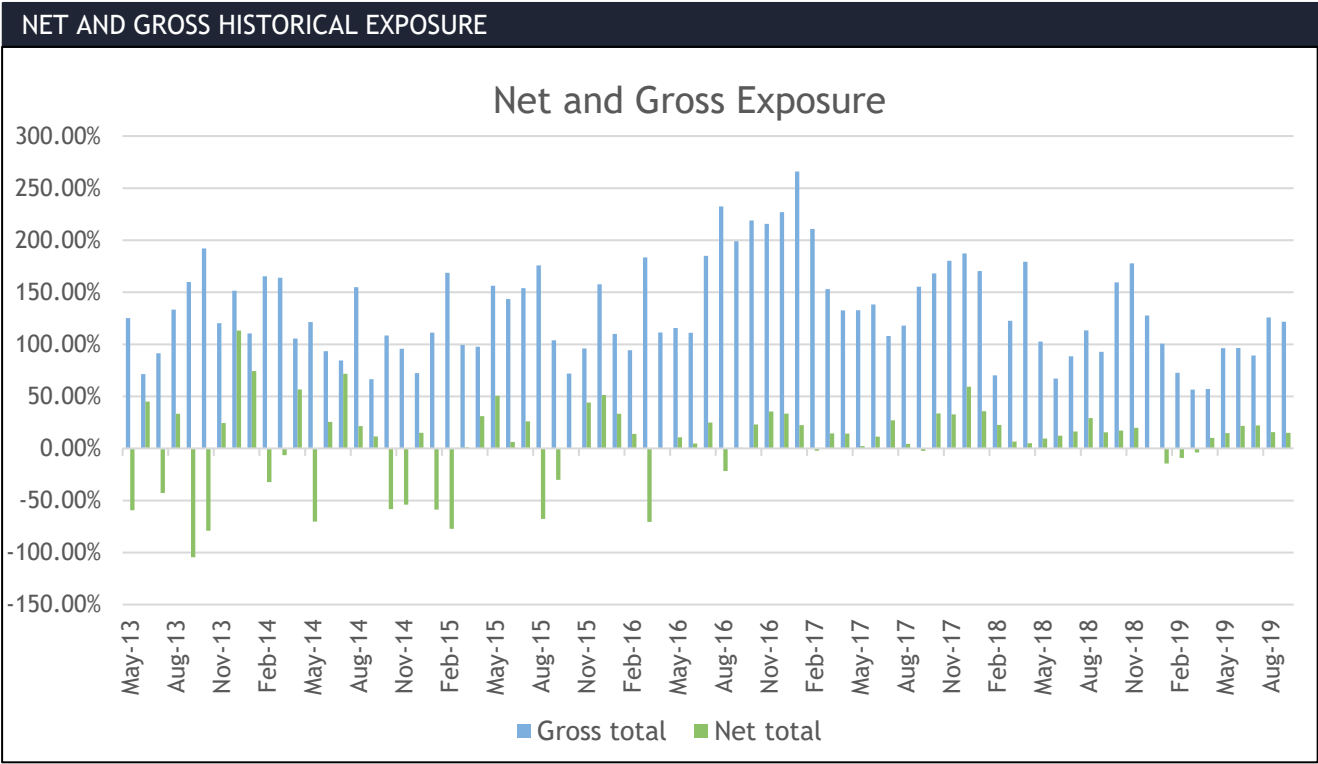
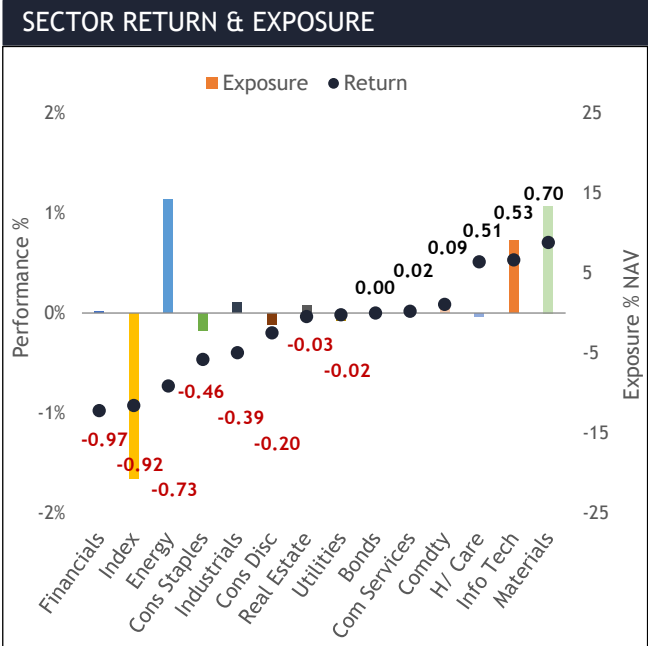
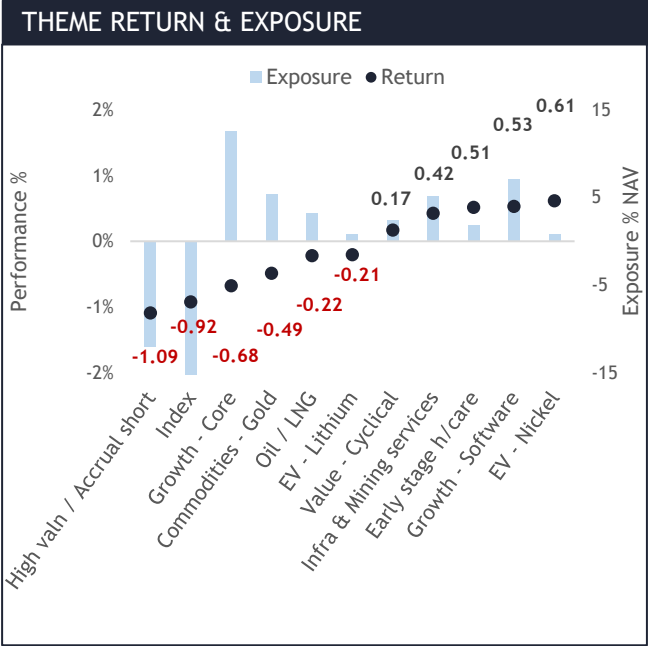
MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
-2.10%	121.75%	15.09%

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				-2.92

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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