

COMMENTARY

The fund returned positive 5.75% for the month of September 2021. Net exposure averaged 60% long, while gross average 142%. This brings our Calendar Year return to positive 32.31% and since inception (2013) return to positive 24.37% p.a. net of fees.

Through the month of September, our Uranium theme was a material contributor to fund performance as the spot price of Uranium rallied over 20% to close the month at an eight year high of US\$43.00 p/lb. The primary driver of this rally, was the creation (or better put, the new management) of the Sprott Physical Uranium Trust. Since the end of August, the Sprott Physical Uranium Trust has acquired over US\$400m of Uranium. Whilst US\$400m does not sound like a significant amount, it's roughly equivalent to 8% of annual Uranium demand. This has been acquired in under 2 months, adding significant demand to a market that was already in a sizeable supply deficit.

Whilst this is a material move in a short period of time, it was the market fundamentals made a move like this possible. The Sprott Physical Uranium Trust was just the spark that lit this market alight.

As we have written about at length previously (most recently in our [2021 Interim Letter](#)), we have extremely high conviction in our Uranium theme and pleasingly we are observing headwinds that plunged this market into a 13 year bear market, now turning into tailwinds.

(Continued on the next page)

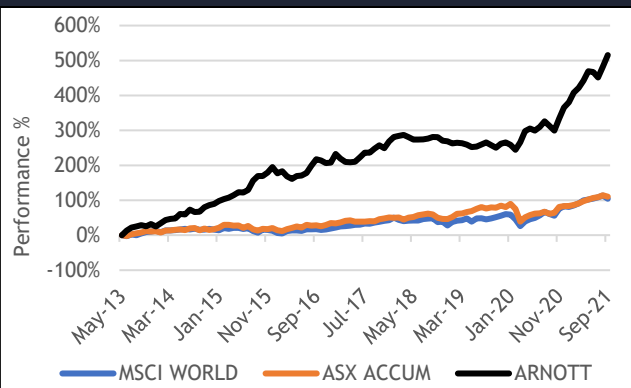
PERFORMANCE METRICS

	From May 2013	
	Arnott	MSCI
Annualised returns	24.37%	8.95%
% Positive months	66.00%	66.00%
Average monthly return	1.91%	0.79%
Avg return in MSCI up months	1.74%	2.87%
Avg return in MSCI down months	2.22%	-3.24%
Best month	13.07%	12.66%
Worst month	-6.09%	-13.47%
Largest drawdown	-11.61%	-21.44%
Longest drawdown (mths)	24	20
Sortino	4.50	0.88
Sharpe ratio	1.82	0.66

CORRELATION TO ASSETS (2013 to Current)

MSCI Index	0.06
US Government Bond Index	-0.09
US\$ Gold	0.02
Bloomberg Commodities Index	-0.03
Hedge Fund L/S	0.02

CUMULATIVE FUND PERFORMANCE (2013-current)



MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
5.75%	142%	60%

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	7.22	27.23
2021	3.26	5.69	2.74	3.93	5.03	-0.40	-2.81	5.60	5.75				32.31

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.

Demand is increasing and supply is becoming increasingly scarce, as all industry capex was cut to virtually zero in the preceding decade. The only way to close the growing market deficit is to incentivise new mine development. The spot price required for this is close to US\$60.00 p/lb, markedly higher than the current spot price. Given this, we believe material upside still exists within our Uranium theme. However, risk management is central to our process and a material move as we saw early in September within any of our themes forces a rebalancing of the portfolio. Accordingly, we have reduced our weighting to this theme in the past month by rotating away from uranium miners and retaining our exposure to physical uranium proxies.

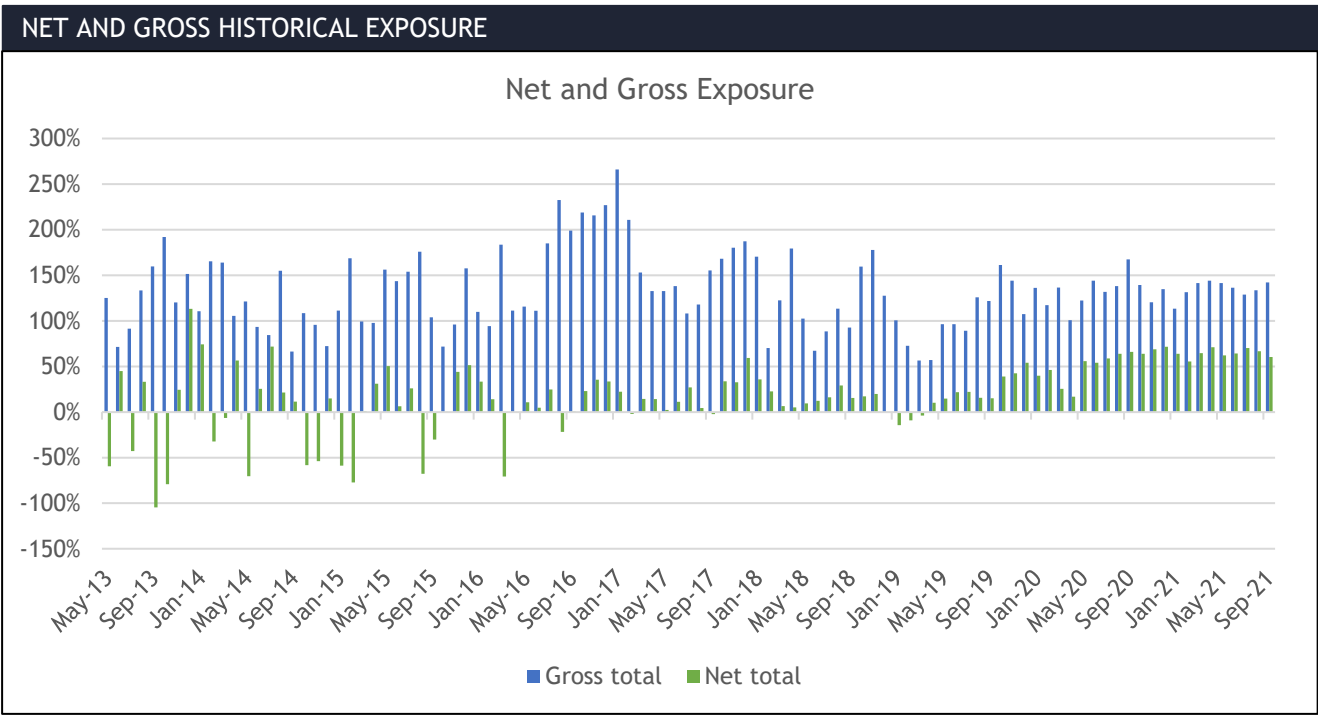
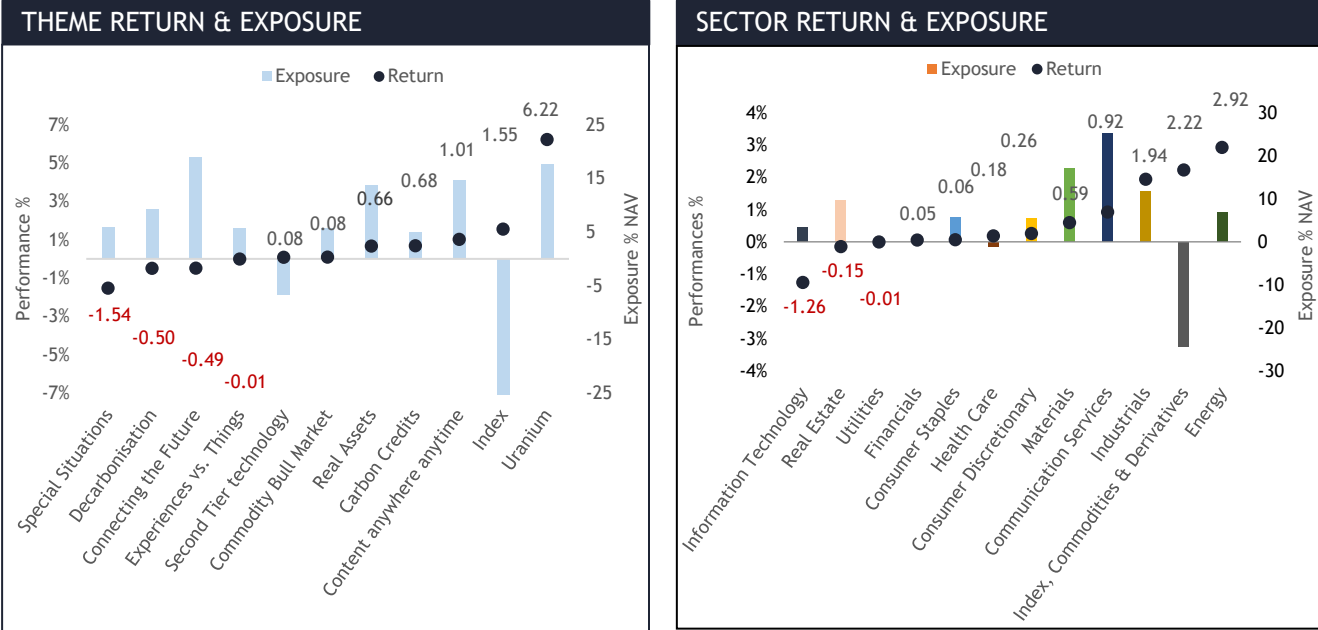
PORTFOLIO POSITIONING

At the present time it feels like there are significantly greater unknowns in the global economy than knowns. Soaring energy and power prices are creating material output gaps in global economies with regions in China & Europe materially reducing manufacturing capacity, as governments grapple with the question of how do we ensure people do not freeze to death over the coming winter? Central Banks are now questioning just how 'transitory' inflation is with supply chain issues persisting into the Northern Hemisphere Autumn, and given the global energy crisis, are likely to worsen. The combination of slowing global growth and a material rise in the cost of living (energy prices touch almost every aspect of our lives) does not bode well for a 'pro-risk' environment.

Through the month we commenced materially reducing our net exposure and are operating on the early thesis that we may have seen a 'top' in equity markets. We struggle to see how equity markets can rise materially from current levels given slowing global growth, rising costs of living and a reduction in liquidity driven by central banks such as New Zealand entering a raising interest rate cycle and the commencement of tapering by the Federal Reserve. We expect that average net equity exposure since April 2020 of 50% - 70% net long will be lower in this environment. As always, we are students of the market and will adjust as markets change.

CARBON CREDITS

One of the defining macroeconomic trends of the next decade we believe will be the decarbonisation of energy supply chains and the global economies path to net zero carbon emissions. Through September we have commenced allocating capital to carbon credits, which we believe will be integral to the climate ambitions of Governments and Companies alike. Given the pending tidal wave of upcoming demand, we are of the belief that carbon credits on a global scale are both undervalued and underinvested in, presenting a phenomenal asymmetric investment opportunity. We are still in the process of building our exposure, so will refrain from providing any more details. However, we are happy to go into more detail with any of our existing investors.



INVESTMENT STRATEGY

The Arnott Opportunities Strategy is an absolute return strategy, focussing on thematic investment opportunities with an equity bias. We seek to achieve positive average annual returns for investors through our Asymmetric Investment Approach. In simple terms, asymmetric investing is about producing above average returns with below average drawdowns. In order to achieve this, we aim to;

1. find good investments, and
2. not lose money in the pursuit of realising these good investments.

We strive to achieve asymmetric returns through a thematic investment process. This has four pillars.

1. Find asymmetric themes
2. Invest in the best ideas within those themes
3. Focus on macro drivers for risk & opportunities
4. To generate an asymmetric return profile

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	20%	FUND ADMINISTRATOR	Mainstream
MANAGEMENT FEE	1.5%	FUND AUDITOR	Ernst and Young
SUBSCRIPTIONS	Monthly	LEGAL ADVISORS	Ernst and Young

Disclaimer

This document is given to only wholesale clients (as defined in the Corporations Act 2001 (Cth)) by representatives of Arnott Capital Pty Limited (AFS Licence Number 233743) (Arnott). By viewing this document, you are representing that you are a wholesale client and agree to keep this document confidential. This document is directed at persons who are sophisticated investors with sufficient professional or other experience to properly assess the nature of the matter discussed herein. This document has been prepared for general information purposes only without taking into account any potential investors' personal objectives, financial situation or needs. It should not be relied upon by the recipient in making an investment decision. This document is intended to provide a general outline only and is not intended to be a definitive statement on the subject matter. The document is not intended to be relied upon by recipients given the contingent nature of the content matter.

Forward-looking information in this document is provided as a general guide only and should not be relied upon as an indication of the future performance of any financial products (including the Arnott funds). No representation is made as to future performance or volatility of the financial products. Persons should rely solely upon their own investigations in respect of the subject matter discussed in this document. Past performance information given in this document is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

No representations or warranties, express or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this document. In preparing these materials, Arnott has relied upon and assumed, without independent verification, the accuracy and completeness of all information available to Arnott. To the maximum extent permitted by law, neither Arnott nor its director, employees or agents accept any liability for any loss arising in relation to this document. The offer of interests in the Arnott funds will only be made in the offering document for the respective fund.

Hong Kong

This document has not been reviewed or approved by any regulatory authority in Hong Kong. This document does not constitute an offer or invitation to the public in Hong Kong to acquire the units in the Fund. Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, this document or any advertisement, invitation or document relating to the units in the Fund, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than in relation to the units of the Fund that are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as such term is defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571) and the subsidiary legislation made thereunder).

Singapore

This document is being furnished to you on the basis that you are an "institutional investor" (as defined in the Securities and Futures Act (Chapter 289) of Singapore) and on a confidential basis, solely for your information. This document may not be reproduced, disclosed, or distributed to any other person in Singapore. Arnott, as the responsible entity and manager for the Fund has not taken any steps to ensure that the capital markets products referred to in this document are suitable for any particular investor, and will not treat recipients as its customers by virtue of their receiving this document. This document has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore and this document is not intended to constitute an offering, and is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. The investments or services referred to in this document may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this document constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

United Kingdom

This document may be distributed in the United Kingdom only to persons who: (i) have professional experience in matters relating to investments in accordance with Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (“FPO”); or (ii) to whom this document may otherwise be lawfully distributed (all such persons together being referred to as “Relevant Persons”). This document is only directed at, or available to, Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document relates is available only to, and will be engaged in only with, Relevant Persons.

United States

This document may not be distributed in the United States and does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from the registration of the US Securities Act, the US Investment Company Act of 1940 and applicable US state securities laws.