

# ARNOTT OPPORTUNITIES (CAYMAN) FUND FACTSHEET

FEBRUARY 2022

**ARNOTT**  
CAPITAL  
—EST. 1999—

## COMMENTARY

The fund returned positive 0.17% for the month of February 2022. Net exposure averaged 35% long, while gross averaged 115%. This brings our Calendar Year Return to positive 1.78% and since inception return to positive 24.54% p.a. net of fees.

Heading into 2022, we were concerned about equity market valuations and the increasing likelihood of an economic slowdown driven by the withdrawal of accommodative monetary policy and the real impact of inflation on the consumer. Through February, another risk to global growth arose as Russia invaded Ukraine. Enough has been written on the topic, so we will not add to the copious amounts of literature, other than to add we now have another risk to global asset prices, economic growth and in the extreme case, food security and energy.

This confluence of factors is not conducive to a pro-risk environment, and we have continued to lower our net and gross exposure as we wait to see how these events unfold.

Whilst we have been lowering overall risk in the portfolio, in line with our market views, we have been generating more ideas than we can remember and have a very large backlog of investable opportunities that we are ready to deploy capital into once we believe the environment is more conducive to running risk.

One such idea is long gold. We have not been invested in gold since August 2020 as we felt euphoria for the asset was at fever pitch and the likelihood interest rates would rise from 0% to a number above this level was high. Both, never a good sign for future returns on gold. However, in an environment that is increasingly looking likely to have entrenched inflation, heightened geopolitical risk and a slowing economic environment, gold appears to us, once again, an attractive investment.

However, what really engaged us with the potential for an extremely attractive risk reward pay off was recent geopolitical developments. Overnight, the western world, by largely removing Russia from the SWIFT network, cut off their economy from the world. In practical terms, this rendered their domestic currency virtually worthless, as a large proportion of global transactions are denominated in US Dollars transacted over the SWIFT network. With the world now seeing the ability for the US dollar to be weaponised and countries cut off from global trade, could we see central banks now question their reliance on the US dollar? We have been asking ourselves a monumental question in the wake of this, is the US dollar hegemony over and if it is, does gold play an increasingly more important role in the monetary system and would central banks seek to support their currencies with a universally accepted hard asset?

We do not have the answers to these questions, but we are of the belief that US\$1900 p/ounce, Gold is not reflecting any optionality for this event and is once again catching the glimmer in our eye as an attractive asymmetric investment.

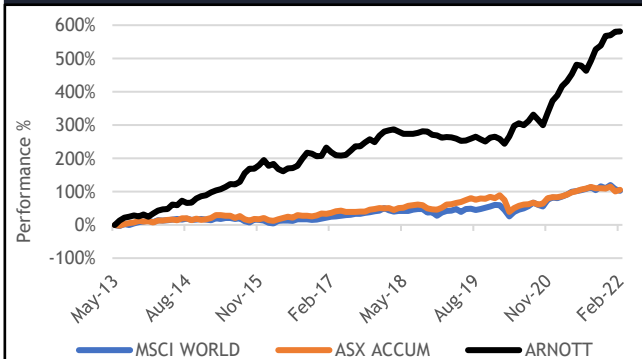
## PERFORMANCE METRICS

	From May 2013	
	Arnott	MSCI
Annualised returns	24.54%	8.39%
% Positive months	67.62%	64.76%
Average monthly return	1.92%	0.75%
Avg return in MSCI up months	1.77%	2.93%
Avg return in MSCI down months	2.19%	-3.25%
Best month	13.07%	12.66%
Worst month	-6.09%	-13.47%
Largest drawdown	-11.61%	-21.44%
Longest drawdown (mths)	24	20
Sortino	4.29	0.85
Sharpe ratio	1.84	0.62

## CORRELATION TO ASSETS (2013 to Current)

MSCI Index	0.05
US Government Bond Index	-0.07
US\$ Gold	0.01
Bloomberg Commodities Index	-0.05
Hedge Fund L/S	-0.00

## CUMULATIVE FUND PERFORMANCE (2013-current)



## MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
0.17%	115%	35%

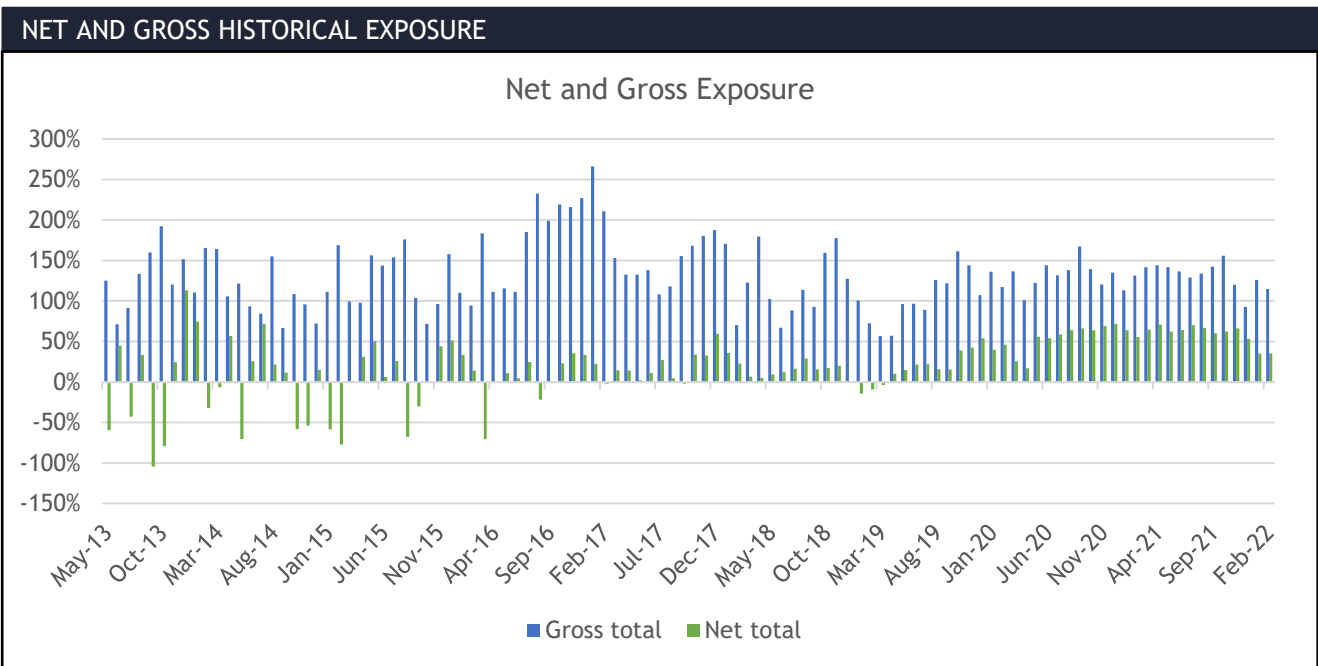
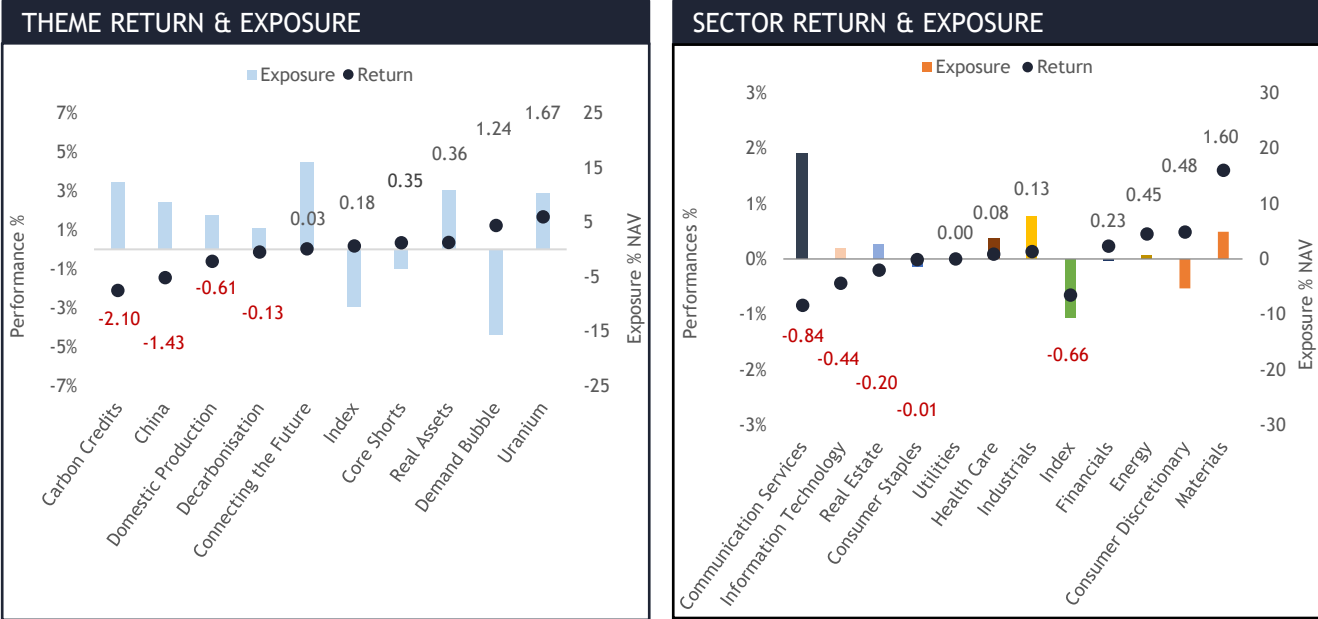
## STRATEGY HISTORICAL PERFORMANCE (%)

	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	8.24	28.38
2021	3.43	5.63	2.80	4.05	5.19	-0.48	-2.74	5.37	5.86	1.87	4.51	0.22	41.60
2022	1.61	0.17											1.78

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. Arnott Opportunities Fund (Cayman). Performance net of 0 & 25 fees. Currency USD. Fund administered by Mainstream. Fund audited by EY.



**INVESTMENT STRATEGY**

The Fund adopts an absolute return strategy, focusing on thematic investment opportunities with an equity bias. We seek to achieve the investment objective through our asymmetric investment approach which includes:

1. Finding what we perceive to be good quality investments based on our analysis; and
2. Not losing money in the pursuit of realising these 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; and
4. Generate an asymmetric return profile.

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	<a href="mailto:investor@arnott.com.au">investor@arnott.com.au</a>
WITHDRAWALS	Monthly	PRIME BROKER	Morgan Stanley International PLC J.P. Morgan Securities PLC
PERFORMANCE FEE	20%	FUND ADMINISTRATOR	Apex Group Ltd.
MANAGEMENT FEE	1.5%	FUND AUDITOR	Ernst and Young
SUBSCRIPTIONS	Monthly	LEGAL ADVISORS	Ernst and Young

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