

COMMENTARY

PERFORMANCE

The fund returned negative 1.10% for the month of March 2022. Net exposure averaged 23% long, while gross averaged 109%. This brings our Calendar Year Return to positive 0.61%, Financial Year Return to positive 16.29% and since inception return to positive 23.81% p.a. net of fees.

THE UNCERTAIN MACRO ENVIRONMENT

“Uncertainty is an uncomfortable position. But certainty is an absurd one” - Voltaire

To say there is a lot of uncertainty in global financial markets would be an understatement. As we entered 2022, we were faced with inflation levels unseen since the 1970's, Central Banks lifting interest rates and simultaneously ending Quantitative easing and commencing Quantitative Tightening, ending the nearly 2-year period of gushing liquidity into financial markets. A little less than 2 months into this year, market participants have had to grapple with an invasion in Europe, that many believe will lead to both an energy and food crisis as the Russian economy is cut off from the West, ultimately resulting in a global and economic recession. So now as we enter a period of tapering last seen in 2015, the backdrop is very different.

Unlike 2021 when the Fed seemed convinced that inflation was transitory, now they seem convinced (or at least wish to signal) that it is more permanent. It is possible as much as they ran monetary policy too loosely in 2021, they now risk running policy too tightly in 2022. On the other hand, fiscal flows will continue to provide a tailwind for equity markets. Although this support is likely to be more specific, assisting specific industries and parts of the economy rather than the broad effect of easy monetary policy.

(Continued on next page)

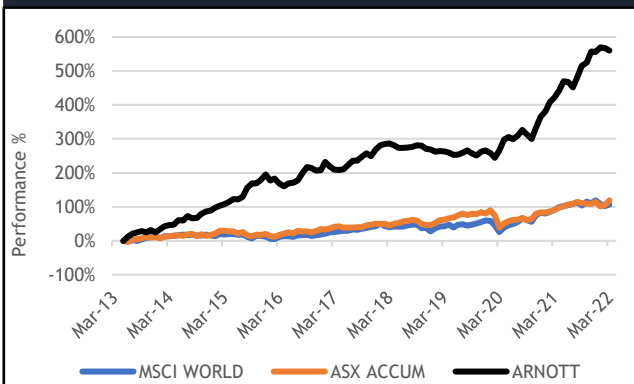
PERFORMANCE METRICS

	From May 2013	
	Arnott	MSCI
Annualised returns	23.81%	8.61%
% Positive months	65.09%	65.09%
Average monthly return	1.87%	0.77%
Avg return in MSCI up months	1.67%	2.92%
Avg return in MSCI down months	2.23%	-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	4.39	0.88
Sharpe ratio	1.81	0.64

CORRELATION TO ASSETS (2013 to Current)

MSCI Index	0.05
US Government Bond Index	-0.05
US\$ Gold	0.01
Bloomberg Commodities Index	-0.06
Hedge Fund L/S	-0.00

CUMULATIVE FUND PERFORMANCE (2013-current)



MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
-1.10%	109%	23%

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	1.30	5.37	-0.24	40.90
2022	2.07	-0.34	-1.10										0.61

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.

WE ARE CONSTRUCTIVE ON THEMATIC OPPORTUNITIES

Despite this overly challenging economic outlook, we are incredibly constructive on the opportunity set that we are presented with as global unconstrained asymmetric investors on both the long and short side of the portfolio. Uncertainty brings opportunity and we are investing across a broad range of themes, seeking to take advantage of the significant structural shifts that are transpiring across areas such as energy and resource security, the energy transition, Inflation hedges - primarily focusing on real assets with CPI linked cash flows and monetary hedges with gold and the Australian Dollar.

ENERGY PARADOX

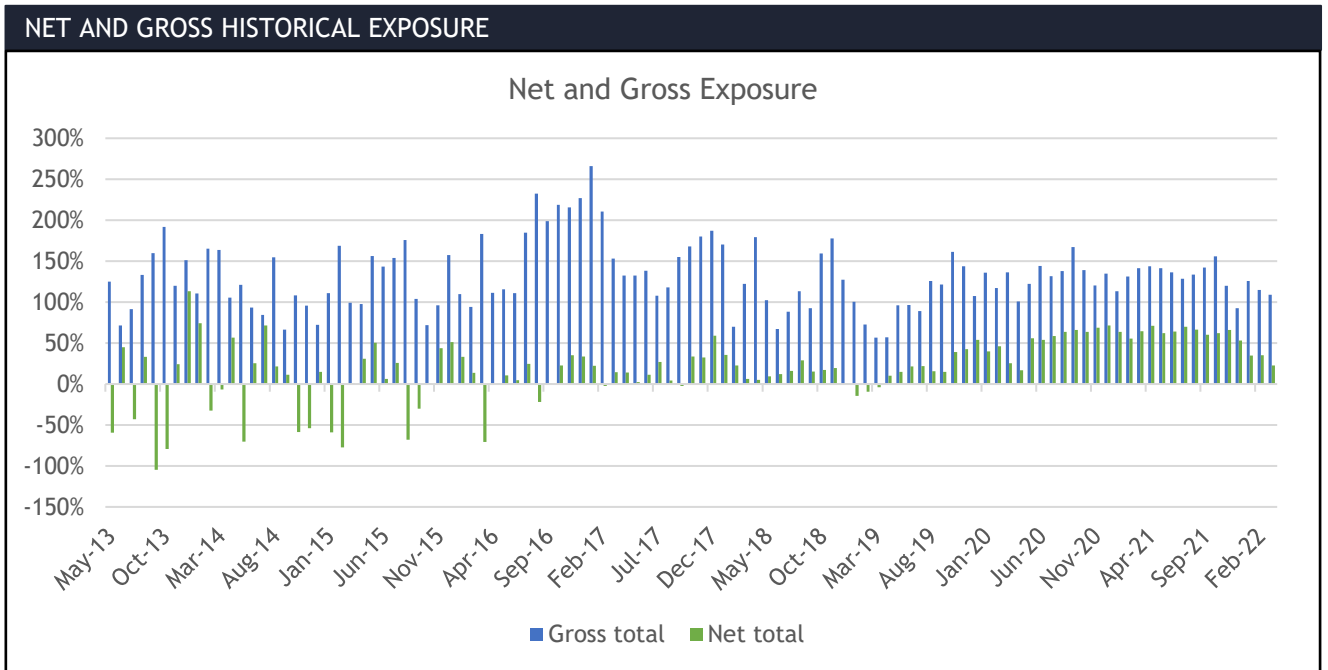
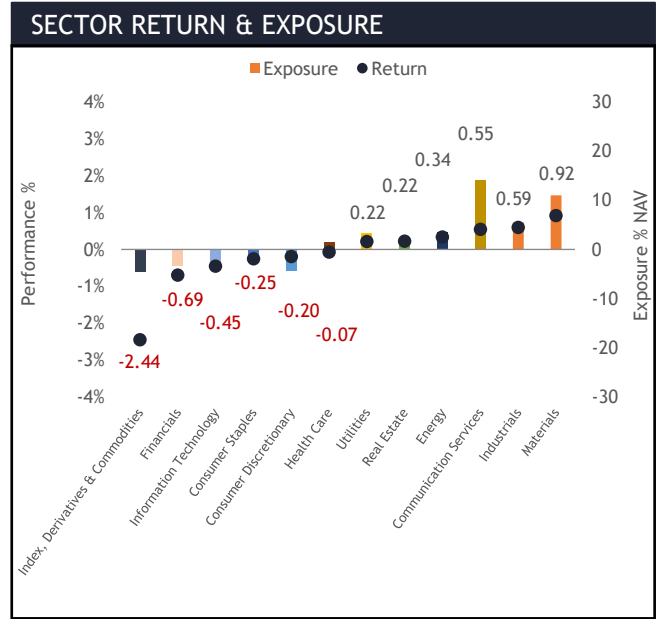
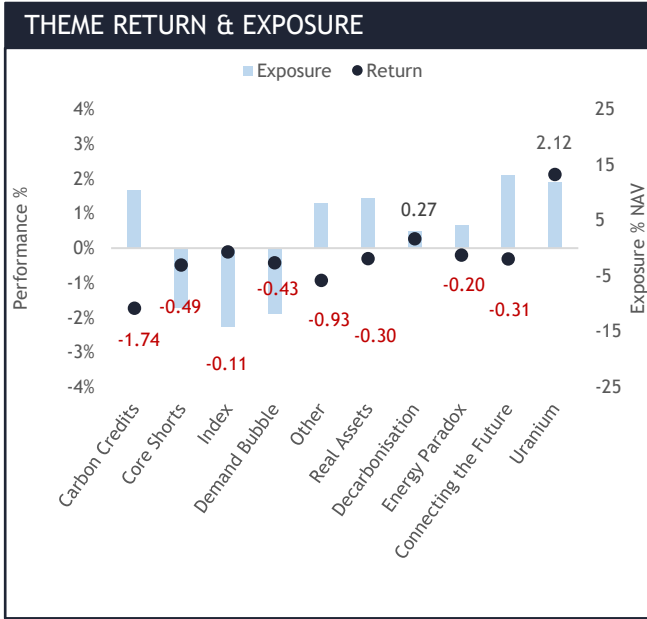
The newest theme in the portfolio, Energy Paradox, is a prime example of how we are seeking to invest amidst the uncertain economic backdrop.

The world has well and truly commenced the transition to a cleaner greener future. This has resulted in investors (both public and private) avoiding the investment of capital into industries that do not meet the environmental standards required for ESG investing. The significant outflow of capital from industries that are critical to our energy infrastructure has resulted in equities in these industries being priced as though the energy transition will be painlessly achieved in short order and the world will be powered solely from renewable energy at some point this decade.

It feels as though the last investors have exited industries such as oil refining, coal fired power generation, oil and gas distribution and construction and shipping at the same time as energy security is reaching a level of critical importance for every sovereign nation around the world. This need for energy security combined with an unwillingness to invest in these industries will, in our view, drive a super profit cycle for businesses with existing legacy infrastructure, which is priced as though it will go to zero well and truly within the current decade. We do not dispute that these industries are in terminal decline, however we believe the combination of energy security and the lack of capital investment will drive super profit cycles for companies exposed to these industries, with profits returned to shareholders, before their ultimate demise.

Take a company like AGL energy, Australia's largest electricity generator. From the beginning of 2020 to present their share price is down over 65% as they battle the dual headwinds of capital flight, as investors have deemed coal fired power generation businesses 'un-investable' and unusually low electricity prices post Covid-19. However, as we transition away from fossil fuel-based energy sources, an increasing amount of coal fired generation capacity has been shutting down. This is occurring at a time where we as a nation have no other forms of baseload generation such as nuclear, so when the wind does not blow, or the sun is not shining we are facing an ever-declining supply of energy generation. This has set up the perfect storm for a surge in the price of electricity generation domestically. The old adage of high prices, cures high prices as increased supply comes in does not apply in an ESG investing world. We cannot see how anyone would be allowed to / would invest in developing new coal fired generators, setting the stage for companies such as AGL energy to generate super profits until technological innovation closes the supply gap.

We are finding lots of AGL's across multiple of the aforementioned industries where valuations and incredibly depressed forecast earnings are behind the curve and the chances of capital being deployed to erode these super profits is at or near zero.



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	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 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

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.