

COMMENTARY

The fund returned negative 1.55% for the month of September 2022. Net exposure averaged 29% long, while gross averaged 107%. This brings our Calendar Year Return to positive 3.58%, Financial Year Return to positive 1.20% and since inception return to positive 22.78% p.a. net of fees.

Our base case is that risk assets remain challenged as valuations continue to compress. Economic growth continues to decline, as liquidity is withdrawn from the system. The premise of 'Modern Monetary Theory' is destroyed by market vigilantes, creating challenges for Governments to push growth agendas in the face of rising interest rates. And lastly, yet most importantly, investing over the next decade will be very different from the last. Given the rising risks to financial markets, we are positioning the portfolio to weather the current environment and are continuing with our overall net neutral positioning, which we have held for the majority of this year.

The rising risks and heightened market volatility are a natural part of a shifting macroeconomic regime, as we exit the zero interest rate policies that have proliferated over the preceding decade. The shift in regime is what is exciting us right now. The macroeconomic opportunities that are emerging from the current investing climate are plentiful, on both the long and the short side of the portfolio. The last decade was ruled by central bank policy overriding almost all other policies. Today we see tightening monetary actions by central banks being countered by fiscal policy. However, the fiscal policy response is not broad based. It is targeting and hence benefiting, specific industries. This is the basis of our portfolio construction going forward.

Our current market view is put more eloquently by one of our investment idols, Stanley Druckenmiller, who stated in a recent interview:

"Well, I'm bearish, but I'm bullish for the long term. Look, you can have a period of 15, 20 years, 10 years where the market doesn't go anywhere. That doesn't mean you can't make money. You could have made plenty of money in the '70s. At various times we have had two 60% rallies ... I'm just saying we've had a hurricane behind us for 30 or 40 years, and its reversing and I wouldn't be surprised - in fact, it's my central forecast - the Dow won't be much higher in ten years than it is today."

- Stanley Druckenmiller

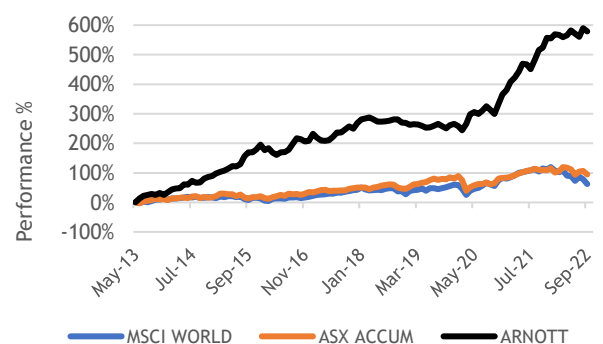
PERFORMANCE METRICS

	From May 2013	
	Arnott	MSCI
Annualised returns	22.78%	5.28%
% Positive months	64.29%	62.50%
Average monthly return	1.79%	0.52%
Avg return in MSCI up months	1.62%	2.99%
Avg return in MSCI down months	2.08%	-3.61%
Best month	13.07%	12.66%
Worst month	-6.09%	-13.47%
Largest drawdown	-11.61%	-26.39%
Longest drawdown (mths)	24	20
Sortino	4.36	0.49
Sharpe ratio	1.76	0.36

CORRELATION TO ASSETS (2013 to Current)

MSCI Index	0.08
US Government Bond Index	-0.02
US\$ Gold	0.03
Bloomberg Commodities Index	-0.03
Hedge Fund L/S	0.03

CUMULATIVE FUND PERFORMANCE (2013-current)



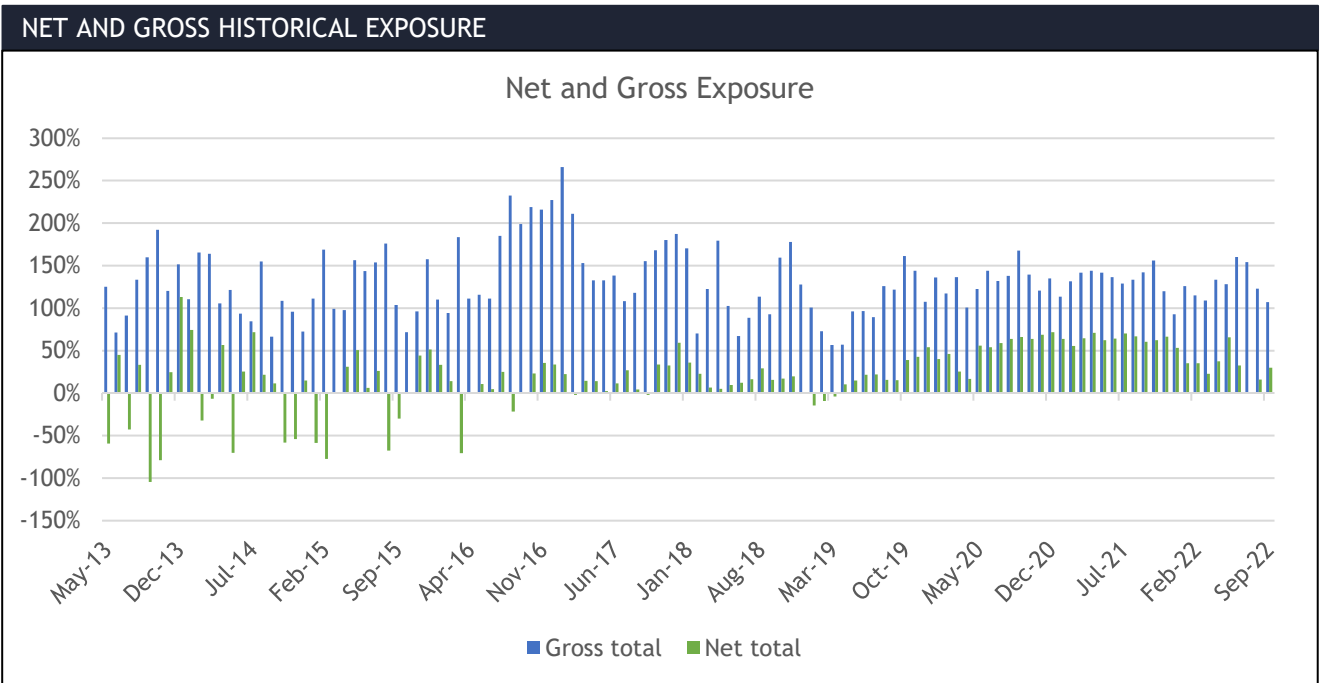
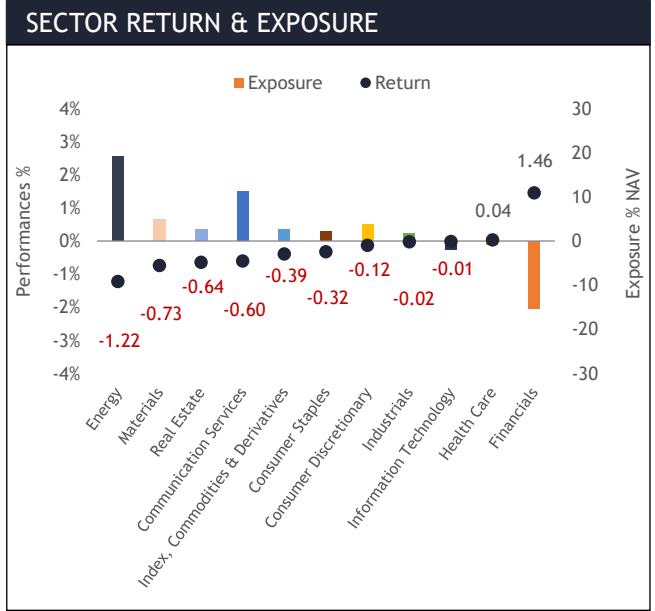
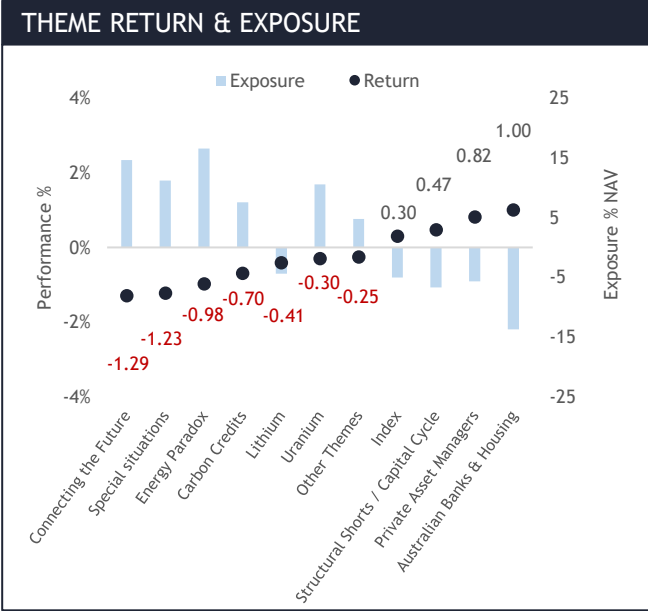
MONTHLY SUMMARY METRICS

NET RETURN	AV GROSS EXP	AV NET EXP
-1.55%	107%	29%

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	0.95	2.50	-1.68	-1.61	4.48	-1.55				3.58

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.



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

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